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OVERSIGHT OF THE U.S. COAST GUARD

HEARING

BEFORE THE

SUBCOMMITTEE ON OCEANS, ATMOSPHERE,
FISHERIES, AND COAST GUARD

OF THE

COMMITTEE ON COMMERCE,
SCIENCE, AND TRANSPORTATION
UNITED STATES SENATE

ONE HUNDRED ELEVENTH CONGRESS

FIRST SESSION

JULY 7, 2009

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ONE HUNDRED ELEVENTH CONGRESS

FIRST SESSION

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OVERSIGHT OF THE U.S. COAST GUARD

TUESDAY, JULY 7, 2009

U.S. SENATE,
SUBCOMMITTEE ON OCEANS, ATMOSPHERE, FISHERIES,
AND COAST GUARD,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
Washington, DC.

The Subcommittee met, pursuant to notice, at 10:03 a.m. in room SR-253, Russell Senate Office Building, Hon. Maria Cantwell, Chairman of the Subcommittee, presiding.

OPENING STATEMENT OF HON. MARIA CANTWELL, U.S. SENATOR FROM WASHINGTON

Senator CANTWELL. Good morning. The Senate Committee on Oceans, Atmosphere, Fisheries, and Coast Guard will come to order.

I'd like to welcome our witnesses, Admiral Thad Allen, Commandant of the U.S. Coast Guard, and Mr. Stephen Caldwell, Director of the Maritime Security and Coast Guard Issues at GAO. I look forward to hearing your testimony on the ongoing operations of our Nation's Coast Guard.

There are three important issues I hope we can focus on in today's oversight hearing: balancing homeland security and traditional missions, Deepwater and comprehensive acquisition reform, and building the modernized Coast Guard of the future.

In 2008, the Coast Guard saved over 4,000 lives, confiscated a record 167 metric tons of cocaine, and interdicted 5,000 undocumented migrants on the high seas. These are impressive accomplishments. But, what often goes unrecognized is the importance of the everyday work the Coast Guard does to keep our Nation's maritime running. For example, in the—my home State of Washington, the Ports of Seattle and Tacoma, combined, are responsible for over 75 billion in trade and create over 300,000 jobs.

Whether it's the maintenance of navigation buoys, the inspection of ships, the prevention of oil spills, it is the everyday mission of the Coast Guard that makes these hundreds of thousands of jobs and tens of billions in economic trade possible.

The Coast Guard's homeland security activities are also vital to our Nation's safety and well-being, but it is the traditional missions of the Coast Guard that allow the engine of our maritime economy to keep functioning each and every day.

Last summer, we saw what could happen when mistakes happen in the maritime world. On July 23, 2008, over 400,000 gallons of oil spilled into the Mississippi River near New Orleans, closing the

vital waterway for nearly 100 miles, choking off one of our Nation's major arteries of commerce. To put this tragedy in perspective, the economic loss from a total shutdown of the Port of New Orleans would cost our Nation's economy around \$275 million a day.

The economic stakes of the Coast Guard successfully fulfilling its mission, both traditional and homeland security, are huge. Therefore, it is essential that—it is essential to strike the right balance among the Coast Guard responsibilities.

As a Nation, we also rely on the Coast Guard to be a responsible steward of our taxpayer dollars. The Coast Guard's Deepwater Program has been a stern lesson in the waste that can happen when government abandons time-tested principles of accountability and thorough oversight. I'm happy to see that we have made some progress, but I must say, I am nowhere near satisfied, and will continue to hold the Coast Guard accountable for the taxpayers' dollars that we are giving for the Deepwater Program.

Additional problems continue to come to light. A GAO report, released in April, indicated that the Deepwater costs could top \$26.3 billion as the Coast Guard develops its own cost baselines. This represents a \$1.2-billion increase from 2007 estimates. There is clearly still an urgent need for comprehensive statutory reform in the Coast Guard's major acquisition framework.

On July 4, Senator Snowe, Senator Hutchison, and Chairman Rockefeller joined me in introducing S. 1194, the Coast Guard Authorization Act for Fiscal Year 2010 and 2011, which, if enacted, would reform the Coast Guard's acquisition program. This legislation is long overdue, and I look forward to working with my colleagues in the Administration to ensure that it is enacted into law without further delay.

Finally, the Coast Guard continues with its modernization project and restructuring. It is critical—it is critically important for us to understand how these sweeping changes will impact the service's present and future, and the capability and readiness of the Coast Guard. This is particularly important in light of GAO's finding that the Coast Guard does not have metrics by which it can determine if the organizational changes under modernization are successful.

We need to make sure the Coast Guard of tomorrow has the assets and capabilities to meet newly emerging missions, like in the Arctic. The Coast Guard and the Obama Administration need to take the looming challenges presented by global climate change in the Arctic region very seriously. Meeting these new challenges in the Arctic will take major policy choices, assets, and dollars. To make the progress we need, Congress needs to see these things reflected in the President's budget as a major national priority.

I look forward to discussing these issues further, and I appreciate Admiral Allen and Mr. Caldwell for being here today to speak on these important issues. As the Coast Guard Authorization Act progresses through the Committee and the legislative process, I hope we can work together to provide the men and women of the Coast Guard with the legislative backing they need and deserve, and to improve the system that we have currently in place.

Now I'd like to ask Senator Snowe if she'd like to make a opening statement.

**STATEMENT OF HON. OLYMPIA J. SNOWE,
U.S. SENATOR FROM MAINE**

Senator SNOWE. Yes, thank you, Chair Cantwell, for calling this hearing today to discuss the future of our of our Nation's most versatile service branches, the U.S. Coast Guard.

And as a Senator representing a State that heavily depends on the ocean, and thus the Coast Guard's stewardship, I truly appreciate the service that you have rendered, Admiral Allen, and all the men and women who work in your service.

I am keenly aware of the service's remarkable contributions to the Nation's safety, security, and economic viability and look forward to discussing the challenges and the opportunities the Coast Guard will confront in this coming year.

Admiral Allen, when you first assumed the role of Coast Guard Commandant in 2006, one of your highest priorities for your tenure at the helm was the modernization of the Coast Guard's command structure. And once again, in this Congress, as Senator Cantwell has already indicated, we've introduced legislation, which hopefully we'll mark up tomorrow, that would provide the essential authorities to undertake the realignment of leadership positions necessary to continue to making that vision a reality. We must ensure that the service is prepared to minimize the upheaval that will inevitably result from these changes, and that adequate plans are in place to measure performance under the new system and make the requisite readjustments.

Mr. Caldwell, I also appreciate you joining us here today. I think the Government Accountability Office has truly been very important and valuable in providing perspective on these and so many other issues facing the Coast Guard.

The Coast Guard is tasked with sweeping mandates, and I'm not convinced that the Administration's budget for the Fiscal Year 2010—\$9.9 billion will provide the kind of funding necessary to meet the broad suite of responsibilities that the Coast Guard is required to carry out.

In 2008, the Coast Guard saved over 4,000 lives, prevented 400,000 pounds of illegal drugs, over 5,000 illegal immigrants from reaching our shores. This is in addition to conducting security patrols, fishery boarding—vessel inspections, responding to oil and chemical spills, maintaining over 50,000 aids to navigation, and, of course, as well, the homeland security responsibility in providing port security and protecting this country from the vulnerability of terrorist threats.

The value of these actions to the Nation is immeasurable. And yet, despite this ever-increasing range of responsibility, the number of servicemen and -women serving in the Coast Guard has not appreciably increased in decades. In 1980, there were approximately 39,400 Active-Duty personnel, and today that number has grown less than 8 percent, at 42,600. And so, while no one questions your service's commitment to duty, Admiral Allen, cracks are beginning to show in the Coast Guard's foundation, both literally and figuratively. Personnel deficiencies have led to a drastic backlog of rulemaking and mariner license applications. And, according to an independent report commissioned to investigate the tragic sinking of the fishing vessel PATRIOT off Gloucester, Massachusetts, last

January, a watchstander error resulting in part from a lack of training was a likely contributor to delays in executing the Coast Guard's search-and-rescue mission.

In addition to the shortage of personnel, the Coast Guard vessels and infrastructure are drastically in need of a concerted repair and recapitalization effort. The average age of the Coast Guard shore-side facilities is 43 years, nearly as old as its vessels. And yet, the President's budget requested a mere \$6 million for shoreside maintenance. This, despite the Coast Guard's estimates made during the American Recovery and Reinvestment Act that its maintenance backlog exceeded \$3.5 billion worth of projects. So, those numbers truly speak for themselves.

In terms of deployable assets, this committee has spent a considerable amount of time over the past several years attempting to put the 25-year—\$25-billion Deepwater Acquisition Program back on track. I commend you for the steps that you have taken and asserted during your tenure to correct some of the mistakes of the past. And I believe the program is in much better shape than it was when you assumed your current role.

The first National Security Cutter is now operational, and the second and third ships are under construction. The Coast Guard conducted a full and open competition for a contract to build the first Fast-Response Cutter, actions that will quickly reduce the fleet's average age. And yet, given the program's history, and, it must be said, the history of Federal acquisitions programs, we're ensuring, in the reauthorization, that we'll prevent the repetition and the mistakes of the program's past and secure the path to a recapitalized fleet of vessels and aircraft that meet the requirements of the service and provide value to the American taxpayer.

Yet, as we proceed down the path toward deployment of new Deepwater assets, the delays we have already experienced have put the service in a bind regarding its legacy ships. In particular, the 378-foot high-endurance cutter, averaging 40 years old, have encountered a string of breakdowns and mishaps leading to a current operational picture in which fully one-third of these ships are in the yard for unscheduled maintenance. And yet, in the President's budget request for Fiscal Year 2010, it doesn't allocate one dollar to the sustainment of this fleet, our primary responders for long-range counterdrug, migrant, illegal fishing, and terrorism enforcement.

So, I think the common theme year after year has been that we ask more of the Coast Guard, with less support. And obviously, something has to change in the budget request. We cannot continue to heap mission upon mission without increasing the service's resources and expect those critical tasks to be carried out with the same degree of effectiveness upon which we have become dependent.

So, Admiral Allen and Mr. Caldwell, I thank you once more for being here today, for answering our questions, and we appreciate the contributions that you're both making.

Thank you, Chair Cantwell.

Senator CANTWELL. Thank you, Senator Snowe, and thank you for being here so we can have this hearing this morning.

And I thank my colleagues. Before we get to the Commandant and Mr. Caldwell, would you like to make any kind of opening statement, Senator Wicker?

**STATEMENT OF HON. ROGER F. WICKER,
U.S. SENATOR FROM MISSISSIPPI**

Senator WICKER. Well, thank you, Madam Chair. And I want to thank you for being so prompt in gaveling the hearing to an opening.

And I want to thank our witnesses for being here. I look forward to their testimony. And I thanked them already for their service.

The Coast Guard is a critical part of our Nation's law enforcement and homeland security systems. And, while perhaps in Mississippi, we don't have the number of miles of coastline that our Chair and Ranking Member have, or the Senator from Alaska, we do have an appreciation in Mississippi of the good work the Coast Guard does to provide maritime safety, security, and mobility.

My statement will be brief, but I want to say this publicly. In the aftermath of Hurricane Katrina, Mississippians saw the Coast Guard in action and at its best, and we appreciate that. Of the estimated 60,000 people that needed to be rescued from rooftops and flooded homes during the storm, the men and women of the Coast Guard saved more than 33,500. That consisted of rescuing over 24,000 lives from peril and evacuating over 9,400 medical patients to safety. That rescue and response during Katrina amounted to some of the largest in Coast Guard history, involving units from every district, as well as a total of 5,600 coastguardmen. We thank you for that. And we have not forgotten it.

Budgets are, of course, about priorities. Whether it is hurricane rescue, drug interdiction, or port security, the Coast Guard performs many essential duties to keep our coastline and our Nation safe.

I believe the Coast Guard should remain a high priority for Federal investment. I look forward to hearing about the resources that will be needed to maintain maritime safety, security, and mobility.

Thank you, Madam Chair.

Senator CANTWELL. Thank you.

Senator Begich, would you like to make a statement?

**STATEMENT OF HON. MARK BEGICH,
U.S. SENATOR FROM ALASKA**

Senator BEGICH. Mr. Chairman, I'll—Madam Chairman, I'll be very brief.

And that is, first, thank you all very much. I look forward to asking some questions. But, from Alaska's perspective, the Coast Guard is always an important piece of the puzzle up there. With more than half the coastline of the United States in Alaska, you have a huge impact to us.

So, I look forward to asking some questions about Arctic policy, about the long-term investment that the Coast Guard needs to make in Alaska for long-term security, and also the long-term capacity for training and recruiting for the Coast Guard as we move forward.

Thank you very much.

Senator CANTWELL. Thank you.

Again, Admiral Allen, thank you for being here. We look forward to your comments. And please proceed.

**STATEMENT OF ADMIRAL THAD W. ALLEN, COMMANDANT,
U.S. COAST GUARD, DEPARTMENT OF HOMELAND SECURITY**

Admiral ALLEN. Good morning, Madam Chair, Senator Snowe, distinguished Members of the Subcommittee. I'm pleased to appear before you today testifying on behalf of the United States Coast Guard. I have brief opening remarks and I'd ask you admit my written statement for the record.

When I became Commandant, in May 2006, one of my primary objectives was to evolve the Coast Guard into a modernized or change-centric organization. I've observed, throughout my career, that we have been struggling with outdated business processes, and, in some cases, we've been doing this for decades.

Beginning with our acquisition organization, I issued a series of Commandant-intent action orders to establish high-level objectives that could guide change in the Coast Guard. Three years later, after considerable effort, we are seeing tangible results from those efforts, from the creation of a single acquisition directorate—and I'd be happy to discuss that in detail—to the establishment of a clear and unambiguous systems integration role for the Coast Guard to the implementation of a standardized maintenance and logistics system for our small boats and cutters, to even the creation of our deployable operations group, which has served us well. And we've done this while restructuring our marine safety program to be responsive to new lines of work and a more diverse set of stakeholders, standing up the Coast Guard service cryptographic element, working domestically and internationally to combat piracy, deploying our current resources to the Arctic in the summer to test their capabilities in high latitude, and provide presence, and supporting U.S. Central Command in the defense of oil platforms in the Northern Arabian Gulf.

Madam Chair, the Coast Guard has never been more relevant or visible, we have never been in greater demand, as you have said, at home and abroad. The President's Fiscal Year 2010 budget will provide badly needed resources as we look to meet these mission demands. Nearly \$1.5 billion in acquisition and construction and improvement funding will allow us, among other things, to put a fourth National Security Cutter under contract, acquire badly needed fast-response cutters, add 30 additional response boats, extend Rescue 21 to six new regions or sectors—we are saving lives every day with this new system—and carry out critical mission-effectiveness programs for our existing cutter fleet.

The 2010 budget also adds 295 new positions to support our marine safety improvement plan, operate new assets that are being delivered, increase financial management oversight, increase our armed helicopter capacity, and provided 100 new positions to improve our acquisition project oversight and management.

As we seek necessary resources to execute our missions, I am also pressing forward, as you've noted, with our modernization efforts. Regardless of the current or future fiscal environment, modernization is critical to ensure the Coast Guard is best positioned

to respond to changes in mission demand. To that end, in April 2008, I requested the National Academy of Public Administration review the Coast Guard's modernization efforts. Their recently released report fully supports modernization and highlights the importance of congressional authorization and the activities you are pressing forward. And we appreciate that.

A separate Government Accountability Office report also validates our modernization objectives and related improvements to our financial management. These reports also identify several areas—and you mentioned metrics—that warrant future action, and I am committed to implementing their recommendations to improve our service to the Nation, our stakeholders, and our workforce.

The work is important, for we have looming challenges, and you've named several of them, in sustaining our existing cutter fleet in the presence of persistent transnational threats—human smuggling, maritime transportation of cocaine from South America—that is the fuel of border violence—declining fish stocks, the receding Arctic icecap, and the challenge of governance on our oceans, the last global commons.

The president recently established an Ocean Policy Task Force, and I am personally working with our partners in the Council on Environmental Quality, EPA, and NOAA to move this effort forward.

To that end, it must be understood that the Coast Guard is an important tool for providing maritime safety, security, and environmental stewardship offshore, where we operate the only non-DOD vessels capable of enforcing law and conducting response operations for all Federal agencies. I would note that the FY-10 President's budget request includes \$35 million in additional maintenance funding for these aging cutters.

I was just in Charleston last week, visiting the DALLAS and the GALLATIN, which are undergoing extensive repairs in an unscheduled drydock period. Due to the age of our fleet, as you have noted, unscheduled drydocks are becoming all too common. There is, in fact, a one-year lead time on all high-endurance cutter main diesel-engine overhaul parts, because they have to be created from scratch. Trying to schedule that maintenance requirement amidst a demanding operational schedule is a tremendous challenge.

While the requested funds and our modernized structure will help maintain the readiness of our fleet and meet the increasing mission demand, the most cost-effective long-term solution is recapitalized with a revamped acquisition organization.

In closing, I am grateful for your diligent oversight and support for the United States Coast Guard. While there will be challenges, moving forward, we have the right structure, institutions, and strategic approach to deliver premier service to the Nation.

And I thank you for that opportunity to testify today, and I look forward to your questions.

[The prepared statement of Admiral Allen follows:]

PREPARED STATEMENT OF ADMIRAL THAD W. ALLEN, COMMANDANT,
U.S. COAST GUARD, DEPARTMENT OF HOMELAND SECURITY

Introduction

Good morning, Madam Chair and distinguished Members of the Committee. Thank you for the enduring support you have shown to the men and women of the United States Coast Guard.

Over the past year, Coast Guard men and women—active duty, reserve, civilian and auxiliarists alike—continued a consistent trend of delivering premier service to the public. They performed superbly in the heartland, in our ports, and while deployed at sea and around the globe to safeguard America's maritime interests. They saved over four thousand lives; worked closely with Department of Homeland Security (DHS) partners to respond to last summer's damaging floods in Missouri and North Dakota; conducted 680 domestic icebreaking operations to facilitate the movement of more than \$2 billion in commerce; operated with other Federal partners at sea and in the air to prevent nearly 400 thousand pounds of cocaine from reaching America's borders or streets; and continued to serve on the front lines to support Operations Iraqi and Enduring Freedom.

When I became Commandant in 2006, one of my primary objectives was to evolve the Coast Guard into a change-centric organization through a modernized command, control and logistics support structure, an optimized workforce and improved business practices. Building upon the Coast Guard's culture and bias for action, we have made significant strides toward those goals. As we have carried out our modernization efforts, the dedication, expertise and professionalism of your Coast Guard has been a constant. The impacts of the global economic crisis, climate change, activity in the polar regions, persistent conflict, piracy, drug and human smuggling, and the increasing expansion and complexity of the Marine Transportation System (MTS) call not only for a modernized Coast Guard, but for authorities and capabilities needed to carry out all of our safety, security and stewardship missions in a rapidly changing operating environment.

Coast Guard authorities must keep pace with evolving threats. The recent prosecution of the first self-propelled semi-submersible (SPSS) operator under the Drug Trafficking Vessel Interdiction Act of 2008 is an important example. This law provides our men and women with the tool necessary to deliver consequences to drug traffickers who would otherwise scuttle their vessels, destroying any evidence that may have been captured, and allowing them to return to their country of origin as a search and rescue victim. I applaud Congress for their responsiveness to this threat and appreciate the close cooperation that led to the creation of this vital legislation.



I also appreciate Congress' continuing efforts to coordinate closely with the Coast Guard to support our progress in modernizing our acquisitions program. I look forward to working with the Committee on this effort and several other modernization, management and operational issues as we move together to achieve our shared goals of a stronger, more capable and effective Coast Guard across all of our safety, security and stewardship missions.

Roles and Missions

The U.S. Coast Guard is one of the five Armed Services of the United States and the only military organization within the Department of Homeland Security (DHS). Unique among the Armed Services, the Coast Guard is also a law enforcement and regulatory agency with broad domestic authorities. The Coast Guard delivers innovative solutions and services across a spectrum of authorities, capabilities, competencies, capacities, and partnerships (ACCCP). Today, as in the past, the Coast Guard continues to leverage its multi-mission structure, guardian ethos and established partnerships to protect the American public and global marine transportation system.

Protecting America's Maritime Interests



Modernization

The Coast Guard's modernization efforts represent our commitment to improving the effectiveness and efficiency of not only our mission execution, but also our stewardship of the public's trust and resources as well. The establishment of the Surface and Aviation Forces Logistics Centers introduced immediate improvements to our logistics system through the use of a proven, bi-level maintenance model that minimizes both costs and operational down time. Moreover, our Headquarters policy and management functions were streamlined as well with the establishment of the Deputy Commandant for Operations and Deputy Commandant for Mission Support. These organizations ensure our strategies, policies and human, information technology and capital resource management efforts focus on long-term planning, goals and objectives without sacrificing the organizational agility necessary to address emerging and evolving operational threats and national priorities.

Functional alignment and agility at all levels within our organizational structure are critical to our modernization effort. With the appropriate authorities, we will be able to continue to this effort with the stand up of the Operations Command (OPCOM) and the Force Readiness Command (FORCECOM). Although the current Area Commands have served us well, they create a bifurcated command, control and support structure that no longer meets our operational coordination and readiness requirements. Increasingly complex transnational and regional threats demand a centralized command and control structure with the ability to allocate, coordinate and surge assets regionally and globally both independently and in cooperation with our DHS, Department of Defense and international partners. Similarly, we must be able to sustain our aging cutters, boats and aircraft, and train and equip our workforce to operate at maximum efficiency and effectiveness using standardized Coast Guard-wide procedures and processes. OPCOM and FORCECOM will give us the ability to meet these requirements and deliver unsurpassed service to the American people. The modernized command and control structure will significantly improve our ability to support and execute missions. I ask for your support to provide the Coast Guard with authority to carry out the remainder of our modernization efforts, which is known as the Admiral and Vice Admiral provision.



Marine Safety

In 2007, I introduced the Coast Guard's Marine Safety Improvement Plan, which was followed shortly thereafter by the Marine Safety Performance Plan. Expanding the Coast Guard's capacity and continuing to develop the expertise of our marine safety workforce is an essential component of my plans to ensure the Coast Guard remains strong and ready to serve the Nation and around the world. I appreciate Congress' support in the effort, but there remains a great deal of work to continue to achieve our shared goals in the Marine Safety program.

As I have stated before, there are still too many lives lost at sea, too many people injured, and too much property and environmental damage because of avoidable accidents in our Nation's maritime industries. Commercial fishing continues to be one of the most dangerous occupations in the world, yet the Coast Guard has no mechanism to require uninspected fishing vessels to carry minimum safety equipment or meet minimum vessel safety standards. Maintaining such standards, in addition to expanded licensing requirements for towing vessels, would have a positive impact on our ability to protect lives and property in these vital industries.



Broken & sinking barge on the Mississippi River after a collision.

The safety of recreational boaters and sport fishers is also an important component of the Coast Guard's efforts, in partnership with State and local authorities, to reduce the number of deaths and injuries in our Nation's waterways. Reauthor-

ization of the Sport Fish Restoration and Boating Trust Fund (SFRBTF) supports State boating safety and education and law enforcement.

Maritime Security

As the violence by Mexican drug cartels increases along our Southwest border, it has become abundantly clear more must be done to stop of the flow of drugs into Mexico and across our borders. The Coast Guard plays a vital role in reducing the flow of cocaine trafficked through Mexico and the rest of Latin America from South America with record cocaine removals in 2007 and 2008. By the end of 2009, it is likely the Coast Guard, in cooperation with our partners in support of Joint Inter-agency Task Force—South, will have stopped over one million pounds of cocaine from reaching the United States over the last 3 years. Our modernization efforts and sustained recapitalization of our aging cutters and aircraft is essential if we are going to address this persistent threat to our Nation.

Similarly, alien migrant smuggling presents a persistent threat to the security of our Nation. Human smugglers are following the lead of Drug Trafficking Organizations (DTO) and are using more aggressive and dangerous tactics including the use of go-fast vessels to evade Coast Guard interdiction assets. As efforts continue to increase security at the land border, I am concerned smugglers will shift to maritime vectors, where the unique operating environment and current legal constraints make consequence delivery more difficult. I am grateful for Congress' ongoing consideration of the Maritime Alien Smuggling Law Enforcement Act (MASLEA) to address the shortfalls in current statute and provide the U.S. Government with appropriate law enforcement and prosecutorial tools that are uniquely tailored to the maritime environment in which this crime occurs.

As we pursue strategies, tactics and authorities to secure our borders from entry of dangerous materials and people, we must also consider the security of legitimate commerce in the maritime domain. This is particularly important when considering the health and safety risks vessels carrying Certain Dangerous Cargoes (CDCs) such as Liquefied Natural Gas (LNG), chlorine, anhydrous ammonia and various petroleum products present in our ports, waterways and adjacent population centers. The expansion of LNG facilities and corresponding increase in waterborne LNG shipments to meet our Nation's energy demands is well known. However, LNG is just one of many CDCs transported through the MTS that must be considered in a national dialogue on cargo and energy infrastructure security.



*LNG Tanker security zone enforced
by Coast Guard small boat.*

In their maritime security plans, LNG, high capacity passenger vessels and critical maritime infrastructure must pay particular attention to vulnerabilities to small vessel attacks. Since small vessels are not required to participate in a tracking or reporting regime as larger, commercial vessels, they can operate virtually without restriction in our ports and waterways. In 2008, DHS promulgated the Small Vessel Security Strategy. The Coast Guard was an integral part of the development of this strategy in partnership with the Department and other DHS components including Customs and Border Protection. The Coast Guard is currently working with our DHS partners to develop an implementation plan.

Small boats are also the conveyance of choice for pirates to use in assaulting commercial vessels. Piracy presents an international maritime security challenge. Similar to the shared security responsibilities associated with Especially Hazardous Cargo vessels, the security of commercial vessels against piratical acts requires a coordinated strategy across the Federal Government, industry and the international community. Although the U.S. Government has been successful negotiating an arrangement with the Government of Kenya to begin prosecuting Somali pirates captured in the Horn of Africa, more international engagement and coordination on this issue is required.

Stewardship

Whether enforcing fisheries in the Arctic or responding to hazardous materials spills in the Gulf of Mexico in the aftermath of a hurricane, I am committed to ensuring the Coast Guard maintains the capability to protect our environment and our natural resources. The Coast Guard's authorities under our stewardship missions are extensive. We are currently developing new Ballast Water Discharge and Non-Tank Vessel Response Plan regulations to decrease the introduction of invasive species in U.S. internal waters and ensure industry has sufficient response capability to minimize the impact of hazardous materials spills. The Coast Guard routinely investigates allegations of wrongdoing that turn on the availability of a foreign seafarer witness who possesses direct knowledge of how damage to the environment, cargo, and vessel, as well as loss of life, occurred. The ship owner—who is aware of the importance of foreign seafarer witnesses to an investigation, as well as his practical ability to control the continued availability of the witnesses in the United States—will threaten to abandon the crew to protect his interests in a criminal or administrative investigation. Without the ability to protect and temporarily support these crewmembers in the case of abandonment, the Coast Guard's ability to investigate alleged criminal or illegal activity is severely impaired. In addition, seafarers may be abandoned in the United States for purely economic reasons. There is currently no authority nor resources for the Coast Guard to assist these seafarers, and no incentive for other nations to assist American seafarers in a similar situation.



*USCGC JUNIPER preparing a
spilled oil recovery system.*

Conclusion

As a maritime Nation and leader in the global maritime environment, our security, resilience, and economic prosperity are intrinsically linked to the oceans. Safety and freedom of transit on the high seas are essential to our well-being, yet are very fragile. Threats to border security, growth in the global marine transportation system, expanded use of the Arctic, and burgeoning coastal development are challenging conventional paradigms. *The Coast Guard is ideally-suited to help the Nation address these and other challenges through its comprehensive, complementary authorities, flexible and adaptive operational capabilities, and centuries of experience protecting America's maritime security interests.* Full support for the President's FY 2010 budget request is an important step forward. Our ability to optimize our broad spectrum of authorities, capabilities and partnerships remains critical to effectively allocating resources across the Coast Guard's broad mission portfolio.

As our Nation faces the challenges of a global economy, the environmental impacts of climate change, piracy, and the long-term struggle against radical extremism; the Coast Guard must be equipped to conduct preparedness and response operations across a broad spectrum of potential risks, threats and hazards. The men and women of the Coast Guard perform with courage, sacrifice and dignity and are eager and prepared to answer the Nation's call now and into the future.

Thank you for the opportunity to testify before you today. I am pleased to answer your questions.

APPENDIX I—FISCAL YEAR 2010 BUDGET REQUEST

The Coast Guard's FY 2010 budget request maintains DOD Parity for its workforce and continues critical recapitalization efforts while focusing on: *enhancing maritime safety and security and modernizing business practice. Highlights include:*

Recapitalizing Aging Assets

Deepwater—Surface Assets

\$591.4M (50 Full-Time Equivalents (FTE))

The President's Budget requests \$591.4M for the following surface asset recapitalization or enhancement initiatives: completion of National Security Cutter #4; continued analysis and design for the Offshore Patrol Cutter (OPC); production of Fast Response Cutters #5–#8; production of Deepwater Cutter Small Boats; and crucial operational enhancement of five Medium Endurance Cutters and three 110-foot Patrol Boats at the Coast Guard Yard through the Mission Effectiveness Program.

Deepwater—Air Assets

\$305.5M (0 FTE)

The President's Budget requests \$305.5M for the following air asset recapitalization or enhancement initiatives: delivery of HC-144A Maritime Patrol Aircraft #13–#14; HH-60 engine sustainment and avionics, wiring, and sensor upgrades for eight aircraft; HH-65 conversion to modernized components, cockpit, and enhanced interoperability for 22 aircraft; and HC-130H avionics and sensor upgrades for eight aircraft, as well as four center wing box replacements.

Deepwater—Other

\$154.6M (0 FTE)

The President's Budget requests \$154.6M for the following equipment and services: Government Program Management funds for critical oversight and contract management; Systems Engineering and Integration funds for continued integration of complex and diverse technical configurations for all projects; continued development of logistics capability and facility upgrades at shore sites where new assets will be homeported; upgrades to command, control, communications, computer, intelligence, surveillance and reconnaissance (C4ISR) items; and prevention of asset obsolescence by replacing aging technology.

Response Boat Medium (RB-M)

\$103M (0 FTE)

The President's Budget requests \$103M to order 30 boats to replace the aging 41-foot utility boat and other non-standard boats with an asset more capable of meeting the Coast Guard's multi-mission requirements.

*Rescue 21***\$117M (0 FTE)**

The President's Budget requests \$117M for California and New England Sectors to receive Rescue 21 capability, and continued development of Great Lakes, Hawaii, Guam, and Puerto Rico Sectors.

*Shore Facilities and ATON Recap Projects***\$10M (0 FTE)**

The President's Budget requests \$10M to support shore facility and ATON recapitalization. The Coast Guard received \$88M from Recovery Act funding for shore projects. The Coast Guard occupies more than 22,000 shore facilities with a replacement value of approximately \$7.4B. FY 2010 funding supports \$6M for Survey and Design (planning and engineering of out-year shore projects) and \$4M for ATON infrastructure (improvements to short-range aids and infrastructure).

Enhancing Maritime Safety and Security*Marine Safety Program***\$7.5M (37 FTE)**

The President's Budget requests \$7.5M to support 74 additional personnel including marine inspectors and investigating officers at field units, marine inspector training officers at feeder ports, staffing for the Steam and Vintage Vessels Center of Expertise, engineers for standards development and review, and expanded training curricula at the Marine Safety School in Yorktown, VA.

*Armed Helicopters Enhancement***\$0.845M (7 FTE)**

The President's Budget requests \$845K for 14 gunners to support an additional 450 armed deployed days away from home station (DDAS), increasing the total DDAS to 1,450. This additional capability will significantly improve the Coast Guard's ability to deter drug trafficking and maritime threats, and will play a vital role in establishing an integrated, interoperable border security system.

*Biometrics at Sea System***\$1.183M (1 FTE)**

The President's Budget requests \$1.183M to purchase equipment and provide maintenance on 18 cutters currently operating the Biometrics at Sea system (BASS), as well as engineering development and program management. BASS enables Coast Guard personnel to identify dangerous individuals documented in the U.S. Visitor and Immigration Status Indicator Technology (US-VISIT) database including known felons, those under deportation orders, and those on a terrorist watchlist. With a nearly 75 percent reduction in undocumented migrant flow from the Dominican Republic, the BASS pilot program demonstrated its effectiveness in deterring attempts by undocumented migrants to enter the United States illegally.

*SeaHawk Charleston IOC Sustainment***\$1.088M (1 FTE)**

The President's Budget requests \$1.088M to fund SeaHawk Charleston. SeaHawk is a multi-agency collaborative, unified command-based work environment with the cooperative and complementary capabilities of an intelligence cell. Members include the Federal Bureau of Investigation, Joint Terrorism Task Force, Coast Guard, Customs and Border Protection, Immigration and Customs Enforcement, and other Federal, state, and local agencies.

Modernizing Business Practices*Financial Management Oversight***\$20M (44 FTE)**

The President's Budget requests \$20M to support critical modernization of the Coast Guard's financial management structure, which includes processes, internal controls, IT systems, and human resources. The goals of this transformation are to improve the Service's ability to link mission performance to budget and ensure compliance with the DHS Financial Accountability Act. Financial management modernization will create an environment for a sustainable clean audit opinion on annual financial statements.

Reinvestments*(88.4M) (399 Full-Time Positions (FTP))*

FY 2010 savings include:

Termination of FY 2009 one-time costs	(\$32.7M)
Decommissioning of four aging aircraft	(\$11.2M)
Annualization of FY 2009 management of technology efficiencies	(\$4.9M)
LORAN-C termination	(\$36M)
OSC Martinsburg earmark reduction	(\$3.6M)

LORAN-C Termination

As a result of technological advancements over the last 20 years and the emergence of the U.S. Global Positioning System (GPS), LORAN-C is no longer required by the Armed Forces, the transportation sector, or the Nation's security interests. The LORAN-C system was not established as or intended to be a viable backup for GPS. Consistent with the Administration's pledge to eliminate unnecessary Federal programs and systems, Federal broadcast of the LORAN-C signal will be terminated in FY 2010 after satisfying domestic and international notification obligations. The Coast Guard will systematically close, harden, and de-staff its 24 LORAN-C stations and associated support units.

Termination of LORAN-C will result in a savings of \$36M in FY 2010 and \$190M over 5 years. In total, 293 FTP associated with LORAN-C will be eliminated during the Fiscal Year and military personnel will be reassigned to other missions.

Senator CANTWELL. Thank you, Admiral Allen.

Mr. Caldwell, welcome. Thank you for being here this morning.

**STATEMENT OF STEPHEN L. CALDWELL, DIRECTOR
HOMELAND SECURITY AND JUSTICE ISSUES
U.S. GOVERNMENT ACCOUNTABILITY OFFICE**

Mr. CALDWELL. Thank you very much. Madam Chair, Senator Snowe, Senator Wicker, Senator Begich—also, welcome to the Committee, Senator Begich—I'm pleased to be here today to discuss our work involving the Coast Guard.

I'll briefly summarize my written statement, which will cover three main points. First, the 2010 budget request, Coast Guard performance, and then the third area, where I'll focus most of my attention, is on some of the management challenges that we've already started discussing.

First, the budget. The 2010 budget request is 4.2 percent more than the 2009 enacted budget; however, when this year's supplemental, as well as the ARA recovery money is added into that, the 2010 request actually represents less than—1 percent less than the previous year's spending.

While the long-term budget situation is always somewhat uncertain, DHS has—the President has projected DHS's budget growth for the next 10 years as being pretty much flat. While the Administration hasn't made any specific projections on, say, the Coast Guard's budget, you know, we may be coming into times where we see a change from the recent past, where there has been a budget increase of, on average, about 5.5 percent every year.

In terms of performance and performance measures, Coast Guard continues to perform steadily, with several measures improving over last year, and meeting or almost meeting many of the established goals. Defense readiness continues to be one of the major exceptions, and continues to fall well short of the target goal.

There are also some new and updated measures the Coast Guard has adopted, some of which were done in collaboration with GAO, and we think those are good. However, there are really very few

efficiency measures, whether trying to measure what the Coast Guard does on a daily basis or trying to measure the results of—the long-term results of the modernization efforts.

Now, getting to management challenges. As Admiral Allen has said, in terms of their modernization program, we did fine, that the Coast Guard's process appeared consistent with GAO-cited best practices for transformation of organizations, but still the best planning, developmental milestones, and tracking systems don't necessarily make such a large change—or implementation easy or fast.

We also found the Coast Guard has yet to have performance measures in place to gauge the success of that effort. I'll temper my comments a little bit to say that the Coast Guard does have many measures of business processes; they just have not decided which ones they're going to have in place. Along those lines, we actually refrained from making a recommendation along those lines in our last report. And in—although NAPA did make such a recommendation.

Another big management issue for Coast Guard is workforce planning and improving personnel capabilities. As Admiral Allen said, the marine safety performance plan is out, and one of the major components of that plan is to increase both the number of those positions, as well as to increase the number of civilians in those positions.

Later this summer, the Coast Guard will also provide a report to Congress on workforce planning, which will also lay out further details on how it intends to improve the performance of its military and civilian personnel.

In terms of acquisition programs, particularly Deepwater, it—this will continue to present challenges for the Coast Guard. Things have turned around, to a large extent, as we've noted, and some of the evidence of that is that the Coast Guard is taking over the role of system integrator, it's applying a more disciplined approach to individual assets, coming up with more realistic and accurate cost estimates, beefing up its acquisition workforce, and the next thing we'll have is analyzing where we go from here through a fleet-mix analysis.

One of Deepwater's legacies already is the impact that delivery delays are having on operations. We've completed work on patrol boats and are now doing work on the National Security Cutter and high endurance cutters, to talk about those issues and some of the mitigation factors the Coast Guard's put in place. But, the bottom line is, there are less operational hours to enforce fishing laws, to interdict illegal drugs, and to stop undocumented migrants. We'll have two reports out later this summer that focus on those Deepwater issues.

In closing, thank you all very much. I'll be happy to respond to any questions about my written statement or about other GAO work related to the administrative law judge program, vessel tracking, small vessel threat, port facility security, LNG and other tanker issues, and cargo container security issues.

Thank you.

[The prepared statement of Mr. Caldwell follows:]

PREPARED STATEMENT OF STEPHEN L. CALDWELL, DIRECTOR, HOMELAND SECURITY
AND JUSTICE ISSUES, U.S. GOVERNMENT ACCOUNTABILITY OFFICE

Madam Chair and Members of the Subcommittee:

I am pleased to be here today to discuss the Coast Guard's Fiscal Year 2010 budget, mission performance, and related management challenges. For many years, we have provided Congress with information and observations on the Coast Guard's budget and related issues. Consistent with this approach, this statement will include information from our prior and ongoing work to help provide perspective as appropriate. As you know, the Coast Guard has grown considerably since 2002 to meet new homeland security missions while continuing to carry out its traditional missions such as marine safety and search and rescue operations. In addition to a substantial budget increase over these years, the Coast Guard has faced a myriad of new management challenges, which we have identified in previous reports.¹

To help perform its missions, the Coast Guard is currently implementing several important programs, including an effort to modernize its command structure and mission-support processes, while continuing the Deepwater program—the long-term, multibillion-dollar acquisition program to upgrade or replace the service's aging fleet of vessels and aircraft. Given the history of performance and management problems associated with the Deepwater program, such as cost breaches, schedule slips, and design defects, the Coast Guard has initiated several major changes to its acquisition efforts that present a new set of challenges that must be managed effectively.

This statement discusses

- the Coast Guard's budget for Fiscal Year 2010, and additional funds received under the American Recovery and Reinvestment Act of 2009 (Recovery Act);²
- the Coast Guard's mission performance in Fiscal Year 2008, the most recent year for which statistics are available;³ and
- various challenges confronting the Coast Guard in managing its modernization program, workforce planning efforts, and large-scale acquisition projects.

This statement is based in part on our prior work completed over the past 11 years—with selected updates in June 2009—that collectively address a number of the Coast Guard's programmatic and management initiatives. The scope of our prior work included reviews of program documents, such as the Coast Guard's Blueprint for Acquisition Reform;⁴ analysis of applicable program data bases; and interviews with Coast Guard officials at headquarters and field units in domestic and international locations.⁵ In assessing the Coast Guard's budget request for Fiscal Year 2010, we reviewed the President's budget request for that year and related Coast Guard documents, including the U.S. Coast Guard Posture Statement, issued in May 2009.⁶ The scope of our review did not include evaluating whether the proposed funding levels were appropriate for the Coast Guard's stated needs. We also reviewed the Coast Guard's most recent performance report, which presents mission-specific statistics for Fiscal Year 2008.⁷ In identifying and discussing various management challenges confronting the Coast Guard, we focused especially on the information presented in our recently issued products regarding the service's modernization program and the large-scale Deepwater acquisition program.⁸ Also, this statement is based partly on the results of our ongoing work for the Senate and House Appropriations' Subcommittees on Homeland Security. Our report on this ongoing

¹ See related GAO products at the end of this statement.

² Pub. L. No. 111–5, 123 Stat. 115 (2009).

³ The Coast Guard has responsibilities that fall under two broad mission categories—homeland security and non-homeland security. Within these categories, the Coast Guard's primary activities are further divided into 11 statutory missions, which are listed later in this statement (see table 1).

⁴ U.S. Coast Guard, *Blueprint for Acquisition Reform* (Version 3.0) (July 14, 2008).

⁵ More detailed information on our scope and methodology appears in our prior reports included in the related GAO products listed at the end of the statement. The work to support these reports was conducted in accordance with generally accepted government auditing standards.

⁶ U.S. Coast Guard, *U.S. Coast Guard Posture Statement with 2010 Budget in Brief* (May 2009).

⁷ U.S. Coast Guard, *Fiscal Year 2008 U.S. Coast Guard Performance Report* (May 2009).

⁸ See, for example, GAO, *Coast Guard: Observations on the Genesis and Progress of the Service's Modernization Program*, GAO–09–530R (Washington, D.C.: June 24, 2009); *Coast Guard: Update on Deepwater Program Management, Cost, and Acquisition Workforce*, GAO–09–620T (Washington, D.C.: Apr. 22, 2009); and *Coast Guard: Change in Course Improves Deepwater Management, but Outcome Still Uncertain*, GAO–08–745 (Washington, D.C.: June 24, 2008).

work—which involves the Coast Guard’s newest vessel, the National Security Cutter—is anticipated to be issued later in the summer of 2009.

We conducted the work for this statement from June 2009 to July 2009, as well as our ongoing work, in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Summary

For Fiscal Year 2010, the Coast Guard’s budget request totals \$9.7 billion, which is an increase of about \$393 million (or 4.2 percent) over its Fiscal Year 2009 enacted budget. Of the total \$9.7 billion requested, about \$6.6 billion (or 67 percent) is for operating expenses, which is the primary appropriation account that finances Coast Guard activities, including operating and maintaining multipurpose vessels, aircraft, and shore units. The operating expenses account, in comparing the 2010 budget request to the 2009 enacted budget, represents an increase of \$361 million (or about 6 percent). The next two largest accounts in the Fiscal Year 2010 budget request, at about \$1.4 billion each, are: (1) acquisition, construction, and improvements and (2) retired pay. Each of these accounts represents about 14 percent of the Coast Guard’s total budget request for Fiscal Year 2010. In reference to absolute amount increases, the retired pay account—with an increase of about \$125 million in the Fiscal Year 2010 budget request compared to the Fiscal Year 2009 enacted budget—is second only to the \$361 million increase for the operating expenses account. Based on percentage increases, however, the retired pay account reflects the highest percentage increase (about 10 percent) of all accounts.

Regarding mission performance in Fiscal Year 2008, the most recent year for which statistics are available, the Coast Guard reported that it fully met goals for 5 of its 11 statutory missions, partially met goals for another 3 missions, and did not meet goals for the other 3 missions. One of the fully met goals, for example, involved drug interdiction. Specifically, for cocaine being shipped to the United States via non-commercial means, the Coast Guard reported achieving a removal rate of about 34 percent compared to the goal of at least 28 percent. The other four missions reported as fully meeting goals were ports, waterways, and coastal security; marine environmental protection; other law enforcement;⁹ and ice operations. The search and rescue mission was one of the three missions reported as partially meeting goals. For this mission, which has two performance goals, the Coast Guard reported that one goal was met (saving at least 76 percent of people from imminent danger in the maritime environment), but a related goal (saving at least 87 percent of mariners in imminent danger) was narrowly missed, as reflected by a success rate of about 84 percent. The three missions reported as not meeting Fiscal Year 2008 performance goals were defense readiness, migrant interdiction, and living marine resources. However, for missions with unmet goals, the Coast Guard reported falling substantially short of its performance target for only one mission—defense readiness. For this mission, the goal was for Coast Guard assets to meet designated combat readiness levels 100 percent of the time, but the reported performance was 56 percent. To assess mission performance for Fiscal Year 2008, the Coast Guard introduced a number of new performance measures and targets. Rather than use a single measure for each of its 11 statutory missions as in prior years, the Coast Guard reported on a total of 21 performance measures. The Coast Guard intended for these changes to better capture the breadth of key mission activities and the results achieved and were informed by collaboration with other Federal agencies, including the DHS Office of Program Analysis and Evaluation and us.

The Coast Guard continues to face several management challenges that we have identified in prior work and as part of our ongoing efforts to assess the Coast Guard’s workforce planning challenges and operational impacts resulting from acquisition-related delays. For example, the Coast Guard is currently undertaking a major effort—referred to as the modernization program—intended to improve mission execution by updating the service’s command structure, support systems, and business practices. In June 2009, we reported that although the Coast Guard has taken several efforts to monitor the progress of the modernization program, development of applicable performance measures remains in the early stages with no time-frame specified for completion.¹⁰ Our work has also noted significant challenges that

⁹According to the Coast Guard, the other law enforcement mission is more accurately described as foreign fishing vessel law enforcement.

¹⁰GAO–09–530R.

the Coast Guard faces in assessing personnel needs and developing an adequate workforce plan.¹¹ For example, the Coast Guard has identified continued difficulties in hiring and retaining qualified acquisition personnel—leaving 138 available acquisition positions unfilled as of April 2009. In addition to personnel challenges, the Deepwater acquisition program continues to be a source of several distinct management challenges. For example, while the Coast Guard has assumed lead responsibility for planning, organizing, and integrating the individual assets comprising the Deepwater acquisition program, the Coast Guard has not always adhered to disciplined procurement processes, and its budget submissions to Congress do not include detailed cost estimates. Moreover, the ongoing delays associated with the acquisition of Deepwater assets, such as Fast Response Cutters¹² and National Security Cutters,¹³ have resulted in operational impacts, such as the projected loss of thousands of days of availability for the National Security Cutter to conduct missions until 2017. The Coast Guard is working to manage these impacts using various mitigation strategies.

In our previous reports on the Deepwater acquisition program, we have made a number of recommendations to improve the management of the program, and the Coast Guard has implemented or is in the process of implementing the recommendations. We provided a copy of the information in this statement to DHS and the Coast Guard and incorporated technical comments as appropriate.

Background

A component of DHS, the Coast Guard is a multimission military service that serves as the principal Federal agency responsible for maritime safety, security, and environmental stewardship. In addition to being one of the five Armed Services of the United States, the Coast Guard serves as a law enforcement and regulatory agency with broad domestic authorities. In its most recent Posture Statement, the Coast Guard reported having nearly 49,900 full-time positions—about 42,600 military and 7,300 civilians. In addition, the service reported that it has about 8,100 reservists who support the national military strategy or provide additional operational support or surge capacity during times of emergency, such as natural disasters. The Coast Guard also reported that it utilizes the services of approximately 29,000 volunteer auxiliary personnel who conduct a wide array of activities, ranging from search and rescue to boating education. The Coast Guard has responsibilities that fall under two broad mission categories—homeland security and non-homeland security. Within these categories, the Coast Guard's primary activities are further divided into 11 statutory missions, as shown in table 1.

Table 1.—Coast Guard Homeland Security and Non-Homeland Security Missions

Statutory missions ^a	Primary activities and functions of each Coast Guard mission
<i>Homeland security missions</i>	
Ports, waterways, and coastal security	• Conducting harbor patrols, vulnerability assessments, intelligence gathering and analysis, and other activities to prevent terrorist attacks and minimize the damage from attacks that occur.
Defense readiness	• Participating with the Department of Defense in global military operations. • Deploying cutters and other boats in and around harbors to protect Department of Defense force mobilization operations.
Migrant interdiction	• Deploying cutters and aircraft to reduce the flow of undocumented migrants entering the United States via maritime routes.

¹¹See, for example, GAO-09-620T; *Maritime Security: Coast Guard Inspections Identify and Correct Facility Deficiencies, but More Analysis Needed of Program's Staffing, Practices, and Data*, GAO-08-12 (Washington, D.C.: Feb. 14, 2008); and *Maritime Security: Federal Efforts Needed to Address Challenges in Preventing and Responding to Terrorist Attacks on Energy Commodity Tankers*, GAO-08-141 (Washington, D.C.: Dec. 10, 2007).

¹²The 140-foot Fast Response Cutters are intended to replace the 110-foot and 123-foot patrol boats that were acquired between 1986 and 1992. The Fast Response Cutters are to be capable of performing marine safety, living marine resources, and defense readiness missions, among others.

¹³The 418-foot National Security Cutters—referred to as the flagship of the Coast Guard's fleet—are intended to replace the aging 378-foot High Endurance Cutters that have been in service since the 1960s. The National Security Cutters are to be capable of meeting maritime homeland security, law enforcement, and national defense missions—including supporting the mission requirements of joint U.S. combatant commanders.

Table 1.—Coast Guard Homeland Security and Non-Homeland Security Missions—Continued

Statutory missions ^a	Primary activities and functions of each Coast Guard mission
<i>Non-homeland security missions</i>	
Drug interdiction	• Deploying cutters and aircraft in high drug-trafficking areas. • Gathering intelligence to reduce the flow of illegal drugs through maritime transit routes.
Aids to navigation	• Managing U.S. waterways and providing a safe, efficient, and navigable marine transportation system. • Maintaining the extensive system of navigation aids; monitoring marine traffic through vessel traffic service centers.
Search and rescue	• Operating multimission stations and a national distress and response communication system. • Conducting search and rescue operations for mariners in distress.
Living marine resources	• Enforcing domestic fishing laws and regulations through inspections and fishery patrols.
Marine safety	• Setting standards and conducting vessel inspections to better ensure the safety of passengers and crew aboard commercial vessels. • Partnering with states and boating safety organizations to reduce recreational boating deaths.
Marine environmental protection	• Preventing and responding to marine oil and chemical spills. • Preventing the illegal dumping of plastics and garbage in U.S. waters. • Preventing biological invasions by aquatic nuisance species.
Other law enforcement (foreign fish enforcement)	• Protecting U.S. fishing grounds by ensuring that foreign fishermen do not illegally harvest U.S. fish stocks.
Ice operations	• Conducting polar operations to facilitate the movement of critical goods and personnel in support of scientific and national security activity. • Conducting domestic icebreaking operations to facilitate year-round commerce. • Conducting international ice operations to track icebergs below the 48th north latitude.

Source: Coast Guard.

^aThe Coast Guard's homeland security and non-homeland security missions are delineated in section 888 of the Homeland Security Act of 2002 (Pub. L. No. 107-296, 116 Stat. 2135, 2249 (2002)). Starting with the Fiscal Year 2007 budget, however, the Office of Management and Budget designated the Coast Guard's drug interdiction and other law enforcement missions—which were originally homeland security missions—as non-homeland security missions for budgetary purposes.

For each of these 11 missions, the Coast Guard has developed performance measures to communicate agency performance and provide information for the budgeting process to Congress, other policymakers, and taxpayers. Each year, the Coast Guard undergoes a process to assess performance and establish performance targets for the subsequent year. In May 2009, the Coast Guard published its most recent performance report, which presents the service's accomplishments for Fiscal Year 2008.

To help carry out its missions, the Coast Guard has a large-scale acquisition program, called Deepwater, under way to modernize its fleet.¹⁴

The Deepwater program now includes projects to build or modernize five classes each of vessels and aircraft, as well as to procure other capabilities such as improved command and control, communications, computer, intelligence, surveillance, and reconnaissance systems. To carry out these acquisitions, the Coast Guard awarded a contract in June 2002 to Integrated Coast Guard Systems (ICGS), a joint venture formed by Lockheed Martin Corporation and Northrop Grumman Ship Systems, to serve as a systems integrator. However, in April 2007, the Coast Guard acknowledged it had relied too heavily on contractors. This reliance, among other concerns, contributed to an inability to control costs. As a result, the Coast Guard initiated several major changes to the acquisition approach to Deepwater, the key one being that the Coast Guard would take over the lead role in systems integration from ICGS.

¹⁴Our reports and testimonies over the past 11 years have included details on the Deepwater program related to affordability, management, and operations. See, for example, GAO-09-620T; GAO-08-745; *Coast Guard: Observations on the Fiscal Year 2009 Budget, Recent Performance, and Related Challenges*, GAO-08-494T (Washington, D.C.: Mar. 6, 2008); and *Coast Guard: Challenges Affecting Deepwater Asset Deployment and Management Efforts to Address Them*, GAO-07-874 (Washington, D.C.: June 18, 2007).

Coast Guard Budget Request for Fiscal Year 2010 Is 4.2 Percent Higher than the Previous Year's Enacted Budget, but Long-Term Budget Outlook Remains Uncertain

The Coast Guard's budget request for Fiscal Year 2010 is \$9.73 billion, which is approximately \$393 million (or 4.2 percent) more than the service's enacted budget for Fiscal Year 2009 (see table 2).¹⁵ These calculations do not include either the supplemental funding of \$242.5 million that the Coast Guard reported receiving in Fiscal Year 2009 or the \$240 million provided by the Recovery Act (discussed below). When the supplemental and the Recovery Act funding are taken into account and added to the Fiscal Year 2009 enacted budget, the calculations reflect a decrease of about 1 percent from Fiscal Year 2009 to Fiscal Year 2010.

Of the \$9.73 billion requested for Fiscal Year 2010, about \$6.6 billion, or approximately 67 percent, is for operating expenses (OE). The OE account is the primary appropriation that finances the Coast Guard's activities, including operating and maintaining multipurpose vessels, aircraft, and shore units. In comparing the 2010 budget request to the 2009 enacted budget, funding for the OE account represents an increase of \$361 million (or about 6 percent). The next two largest accounts in the Fiscal Year 2010 budget request—each with funding at about \$1.4 billion—are the acquisition, construction, and improvements account (AC&I) and the retired pay account. Collectively, these two accounts represent about 28 percent of the Coast Guard's total budget request for Fiscal Year 2010. In terms of percentage increases in comparing the 2010 budget request to the 2009 enacted budget, the retired pay account reflects the highest percentage increase (about 10 percent) of all accounts.¹⁶

Table 2.—Comparison of Coast Guard's Budget Request for Fiscal Year 2010 and the Enacted Budget for Fiscal Year 2009

Appropriation Account	Enacted budget for FY 2009 (in millions)	Budget request for FY 2010 (in millions)	Difference between FY 2010 budget request and FY 2009 enacted budget	
			Amount (in millions)	Percentage change
Operating expenses	\$6,194.9	\$6,556.2	\$361.3	5.8%
Acquisition, construction, and improvements	1,474.6	1,384.0	–90.6	–6.1
Retired pay	1,236.7	1,361.2	124.5	10.1
Medicare Eligible Retiree Health Care Fund Contribution	257.3	266.0	8.7	3.4
Reserve training	130.5	133.6	3.1	2.4
Research, development, test, and evaluation	18.0	19.7	1.7	9.7
Alteration of bridges	16.0	0.0 ^a	–16.0	–100.0
Environmental compliance	13.0	13.2	0.2	1.5
Total^b	\$9,341.1	\$9,734.0	\$392.9	4.2%

Source: Coast Guard.

Note: The numbers in the table for Fiscal Year 2009 do not include supplemental funding and Recovery Act funding (discussed below).

^aAs discussed later in this statement, the Coast Guard has plans to use \$142 million in funding received under the Recovery Act to fund bridge alteration projects in four states.

^bColumn totals may not add due to rounding.

According to the Coast Guard, some of the key initiatives for Fiscal Year 2010 include increasing the number of marine inspectors and investigative officers, and supporting financial management improvements, among others. Furthermore, as a result of the emergence of the U.S. Global Positioning System (a space-based system of satellites) as an aid to navigation, the long-range radio-navigation system known as LORAN-C (a terrestrial-based system operated by the Coast Guard) is expected to be terminated in Fiscal Year 2010.¹⁷ This termination, according to the Coast Guard, is projected to result in a savings of \$36 million in Fiscal Year 2010 and additional savings of \$154 million over the following 4 years.

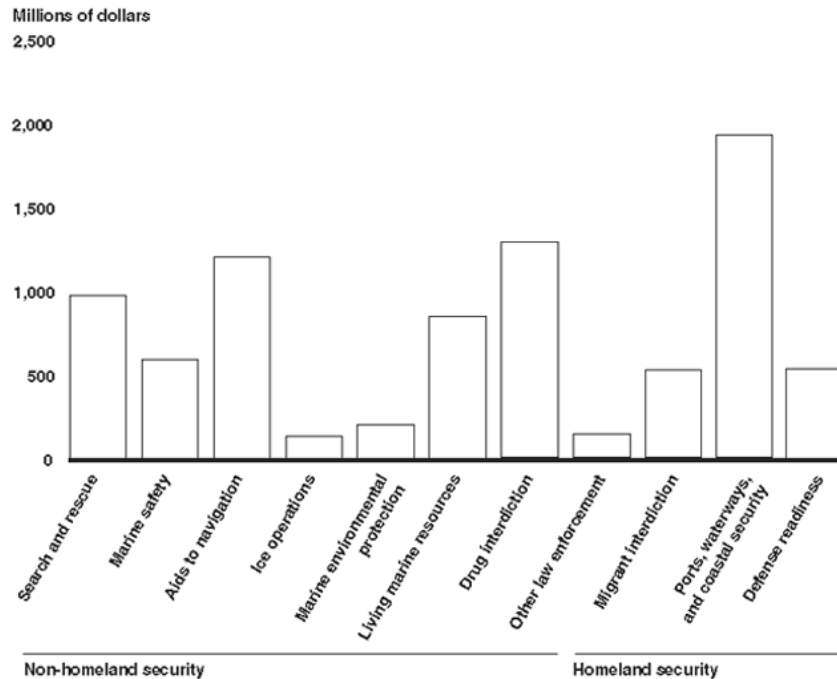
¹⁵GAO's analysis of the Coast Guard's budget requests are presented in nominal terms. Supplemental funding received during Fiscal Year 2009 is not included in the analysis.

¹⁶The retired pay account includes cost-of-living adjustments for all retirement annuities and most survivor annuities as well as entitlement benefits authorized by the National Defense Authorization Act for Fiscal Year 2008 (Pub. L. No. 110–181, 122 Stat. 3 (2008)).

¹⁷As an aid to navigation, LORAN-C was originally developed to provide radio-navigation service for U.S. coastal waters and was later expanded to include complete coverage of the continental United States as well as most of Alaska. The President's Fiscal Year 2010 budget supported the "termination of outdated systems," such as the terrestrial-based LORAN-C operated by the Coast Guard.

Although the Coast Guard receives funding by appropriation account rather than by individual missions, the Coast Guard provides an estimated comparison of homeland security versus non-homeland security funding as part of its annual budget request. Based on these estimates, the Coast Guard's Fiscal Year 2010 budget request for homeland security missions represents approximately 36 percent of the service's overall budget, with the non-homeland security funding representing approximately 64 percent. However, as a multimission agency, the Coast Guard notes that it may conduct multiple mission activities simultaneously. For example, a multimission asset conducting a security escort is also monitoring safety within the harbor and could potentially be diverted to conduct a search and rescue case. As a result, it is difficult to accurately detail the level of resources dedicated to each mission. Figure 1 shows the Coast Guard's estimated funding levels for Fiscal Year 2010 by each statutory mission.

Figure 1: Coast Guard Fiscal Year 2010 Budget Request by Statutory Mission



Source: GAO analysis of Coast Guard data.

In addition to the Coast Guard's enacted budget for Fiscal Year 2009, the Coast Guard has received \$240 million of funding under the Recovery Act. According to the Coast Guard, the service's Recovery Act funds are to be allocated as follows:

- \$142 million is to be used to fund bridge alteration projects in four states—the Mobile Bridge in Hurricane, Alabama; the EJ&E Bridge in Devine, Illinois; the Burlington Bridge in Burlington, Iowa; and the Galveston Causeway Railroad Bridge in Galveston, Texas.
- \$88 million in Recovery Act funds is to support shore infrastructure projects—construction of personnel housing, boat moorings, and other improvements—in Alaska, Delaware, North Carolina, Oregon, Virginia, and Washington.
- \$10 million is to help upgrade or replace worn or obsolete components on the Coast Guard's fleet of 12 High Endurance Cutters. The 40-plus-year-old cutters benefiting from the Recovery Act-funded projects are based in Kodiak, Alaska; Alameda and San Diego, California; Honolulu, Hawaii; Charleston, South Carolina; and Seattle, Washington.

While the Coast Guard's budget has increased considerably since 2003, the long-term budget outlook for the agency is uncertain. From Fiscal Year 2003 through Fiscal Year 2009, the Coast Guard's budget increased an average of 5.5 percent per year. However, this administration's current budget projections indicate that the DHS annual budget is expected to remain constant or decrease over the next 10 years. It is important to note that these budget projections are nominal figures, which are not adjusted or normalized for inflation. Thus, if inflationary pressures arise in future years, budgetary resources available to DHS could be further strained. Given the uncertainty of future budgets, it remains important for the Coast Guard to ensure that limited resources are utilized most effectively to successfully manage existing challenges and emerging needs. For example, as we reported in March 2008, affordability of the Deepwater program has been an ongoing concern for many years, and will continue to be a major challenge to the Coast Guard given the other demands upon the agency for both capital and operations spending.¹⁸ The increasing demand for Coast Guard resources in the arctic region also presents an emerging challenge that will need to be balanced against competing priorities. For example, two of the Coast Guard's three polar icebreakers are more than 30 years old and, in 2008 the Coast Guard estimated that it could cost between \$800 million to \$925 million dollars per ship to procure new replacement ships. Such needs could pose challenges to the Coast Guard in an era of increased budget constraints.

Coast Guard Reported on Several New Performance Measures for Fiscal Year 2008

Each year, the Coast Guard conducts a process of performance evaluation, improvement planning, and target setting for the upcoming year. According to the Coast Guard, this process helps ensure that the performance measures and associated targets adequately represent desired Coast Guard mission outcomes, are reflective of key drivers and trends, and meet applicable standards for Federal performance accounting. In addition, as part of a larger DHS effort, the Coast Guard conducted a more comprehensive evaluation of its performance measures in Fiscal Year 2008. This evaluation process included input on potential improvements to the Coast Guard's performance measures from the DHS Office of Program Analysis and Evaluation and us.

Consequently, the Coast Guard initiated a number of changes to its performance reporting for Fiscal Year 2008 to better capture the breadth of key mission activities and the results achieved. Our review of the Coast Guard's performance reporting for Fiscal Year 2008 indicates that the Coast Guard revised or broadened several existing measures. As a result, the Coast Guard reported on a total of 21 primary performance measures for Fiscal Year 2008—3 homeland security mission measures and 18 non-homeland security mission measures. This represents a substantial change from previous years, in which the Coast Guard reported on a single performance measure for each of the service's 11 statutory missions (see app. I for a list of the primary performance measures and reported performance results for Fiscal Years 2004 through 2008). One of the principal changes involved the disaggregation of existing measures into several distinct component measures. For example, in prior years, the marine safety mission was assessed using one primary measure—the 5-year average annual mariner, passenger, and recreational boating deaths and injuries. However, the Coast Guard reported on six different measures for the marine safety mission in Fiscal Year 2008—annual deaths and injuries for each of three separate categories of individuals (commercial mariners, commercial passengers, and recreational boaters) as well as 5-year averages of each of these three categories.

As indicated in table 3, the Coast Guard reported meeting 15 of its 21 performance targets in Fiscal Year 2008.

Table 3.—Coast Guard Mission Performance Results for Fiscal Year 2008

Coast Guard mission	Number of performance measures	Number of performance targets met
<i>Missions meeting 2008 performance targets:</i>		
Ports, waterways, and coastal security	1	1
Drug interdiction	1	1
Marine environmental protection	4	4

¹⁸GAO-08-494T.

Table 3.—Coast Guard Mission Performance Results for Fiscal Year 2008—Continued

Coast Guard mission	Number of performance measures	Number of performance targets met
Other law enforcement	1	1
Ice operations	1	1
<i>Missions partially meeting 2008 performance targets:</i>		
Aids to navigation	2	1
Search and rescue	2	1
Marine safety	6	5
<i>Missions that did not meet 2008 performance targets:</i>		
Defense readiness	1	0
Migrant interdiction	1	0
Living marine resources	1	0
<i>Total</i>	<i>21</i>	<i>15</i>

Source: GAO analysis of Coast Guard data (see table 4 in app. I).

Also, table 3 shows that the Coast Guard reported meeting all performance targets for 5 of the 11 statutory missions—ports, waterways, and coastal security; drug interdiction; marine environmental protection; other law enforcement; and ice operations.¹⁹ Regarding the drug interdiction mission, for example, the Fiscal Year goal was to achieve a removal rate of at least 28 percent for cocaine being shipped to the United States via noncommercial means. The Coast Guard reported achieving a removal rate of 34 percent.

For another 3 of the 11 statutory missions—aids to navigation, search and rescue, and marine safety—the Coast Guard reported partially meeting performance targets. For each of these missions, the Coast Guard did not meet at least one performance target among the suite of different measures used to assess mission performance. For example, regarding the search and rescue mission, which has two performance goals, the Coast Guard reported that one goal was met (saving at least 76 percent of people from imminent danger in the maritime environment), but the other goal (saving at least 87 percent of mariners in imminent danger) was narrowly missed, as reflected by a success rate of about 84 percent.

For the other 3 statutory missions—defense readiness, migrant interdiction, and living marine resources—the Coast Guard reported that it did not meet Fiscal Year 2008 performance targets. However, for these missions, the Coast Guard reported falling substantially short of its performance target for only one mission—defense readiness. Although performance for this mission rose slightly—from 51 percent in Fiscal Year 2007 to 56 percent in Fiscal Year 2008—the Coast Guard's goal was to meet designated combat readiness levels 100 percent of the time. However, the Coast Guard remains optimistic that the relevant systems, personnel, and training issues—which are being addressed in part by the Deepwater acquisition program—will result in enhanced capability for all missions, including defense readiness. Yet, the Coast Guard further noted in its annual performance report that it is reviewing the defense readiness metrics to determine what potential changes, if any, need to be made.

In comparison, the Coast Guard met targets for 6 of its 11 statutory missions in Fiscal Year 2007. The overall reduction in the number of missions meeting performance targets in Fiscal Year 2008 is largely because of the inability of the Coast Guard to meet its performance target for the migrant interdiction mission. However, this may be attributed, in part, to the new measure used for the migrant interdiction mission for Fiscal Year 2008.²⁰ Regarding the three statutory missions whose performance targets were not met, the Coast Guard's reported performance generally remained steady in Fiscal Year 2008 compared with previous years, and the Coast Guard was relatively close to meeting its performance targets. For example,

¹⁹ According to the Coast Guard, the other law enforcement mission is more accurately described as foreign fishing vessel law enforcement.

²⁰ Prior to Fiscal Year 2008, the Coast Guard's primary outcome measure for this mission also included undocumented migrants who were deterred from using maritime routes to enter the United States. Because of uncertainties involved in estimating the number of deterred potential migrants, the new measure was changed to include only the percentage of undocumented migrants who were actually interdicted.

for the migrant interdiction and living marine resources missions, the Coast Guard reported achieving over 96 and 98 percent of the respective performance targets.

The Ongoing Modernization Program, Workforce Planning Issues, and Large-Scale Acquisitions Present Management Challenges

The Coast Guard faces a number of different management challenges that we have identified in prior work. Highlighted below are four such challenges that the Coast Guard faces as it proceeds with efforts to modernize its organization, address shifting workforce needs, manage the Deepwater acquisition program, and mitigate operational issues caused by delays in the Deepwater program.

The Coast Guard Has an Ongoing Modernization Program, but Work Remains to Develop Performance Metrics

The Coast Guard is currently undertaking a major effort—referred to as the modernization program—which is intended to improve mission execution by updating the service’s command structure, support systems, and business practices. The modernization program is specifically focused on transforming or realigning the service’s command structure from a geographically bifurcated structure into a functionally integrated structure—as well as updating mission support systems, such as maintenance, logistics, financial management, human resources, acquisitions, and information technology.

The Coast Guard has several efforts under way or planned for monitoring the progress of the modernization program and identifying needed improvements. For example, the Coast Guard has established timelines that identify the sequencing and target dates for key actions related to the modernization program consistent with project management principles.²¹ Our prior work has shown that such action-oriented goals along with associated timelines and milestones are critical to successful organizational transformation efforts and are necessary to track an organization’s progress toward its goals.²² However, as we reported in June 2009, the Coast Guard’s efforts to develop applicable performance measures to evaluate results of the modernization program remain in the early stages.²³ For example, the Coast Guard has begun to identify key internal activities and outputs required for mission execution within the realigned organizational structure. This effort, expected to be completed in summer 2009, is intended as a preliminary step before identifying associated business metrics that can be used to evaluate how the modernization program has impacted the delivery of core services and products. However, Coast Guard officials were still in the process of developing a specific time-frame for the estimated completion of this next step. As outlined in the Government Performance and Results Act of 1993²⁴ and Standards for Internal Control in the Federal Government,²⁵ performance measures are important to reinforce the connection between long-term strategic goals and the day-to-day activities of management and staff.

In April 2008, to evaluate aspects of the modernization program and identify potential improvements, the Coast Guard engaged the National Academy of Public Administration (NAPA) to conduct a third-party, independent review.²⁶ After completing its review, NAPA provided a report to the Coast Guard in April 2009.²⁷ The report recognized that the Coast Guard’s planned organizational realignment “makes logical sense” and that the service’s leadership “is collectively engaged” to improve mission execution and support-related business processes. NAPA cautioned, however, that the Coast Guard remains in the early stages of its organizational transformation. To help mitigate potential implementation risks and facilitate a successful modernization process, NAPA recommended, among other steps, that the Coast Guard develop a clear quantifiable business case for modernization, measure-

²¹ Project Management Institute, *A Guide to the Project Management Body of Knowledge, Fourth Edition* (2008).

²² GAO, *Highlights of a GAO Forum: Mergers and Transformation: Lessons Learned for a Department of Homeland Security and Other Federal Agencies*, GAO-03-293SP (Washington, D.C.: Nov. 14, 2002); and GAO, *Results-Oriented Cultures: Implementation Steps to Assist Mergers and Organizational Transformations*, GAO-03-669 (Washington, D.C.: July 2, 2003).

²³ GAO-09-530R.

²⁴ Pub. L. No. 103-62, 107 Stat. 285 (1993).

²⁵ See GAO, *Standards for Internal Control in the Federal Government*, GAO/AIMD-00-213.1 (Washington, D.C.: November 1999). These standards, issued pursuant to the requirements of the Federal Managers’ Financial Integrity Act of 1982, provide the overall framework for establishing and maintaining internal control in the Federal Government.

²⁶ NAPA is an independent, nonprofit organization chartered by Congress to assist Federal, state, and local governments in improving their effectiveness, efficiency, and accountability.

²⁷ National Academy of Public Administration, *U.S. Coast Guard Modernization Study* (Washington, D.C., April 2009).

ment tools, and a process of metrics assessment to track modernization progress and the effects on mission execution.²⁸

Similar to GAO's findings, NAPA concluded that one of the key challenges faced by the Coast Guard is the development of adequate measures to assess the progress and outcomes of the modernization program. NAPA noted that such measures are important to ensure that the impacts of modernization are aligned with intended objectives and that they provide an opportunity to "course-correct" as necessary. NAPA further noted that the development of appropriate measurement tools will help to provide quantifiable support for the modernization business case and facilitate stakeholder buy-in. After receiving NAPA's report, the Coast Guard established a new organizational entity—the Coast Guard Enterprise Strategy, Management and Doctrine Oversight Directorate. Among other functions, this directorate is to be responsible for strategic analysis, performance management, and ongoing coordination of change initiatives within the modernization effort and beyond.

Workforce Planning Presents Challenges for the Coast Guard

Generally, it has been noted by Congress and supported by our past reviews that the Coast Guard faces significant challenges in assessing personnel needs and providing a workforce to meet the increased tempo of maritime security missions as well as to conduct traditional marine safety missions such as search and rescue, aids to navigation, vessel safety, and domestic ice breaking.²⁹ Workforce planning challenges are further exacerbated by the increasingly complex and technologically advanced job performance requirements of the Coast Guard's missions. Workforce planning challenges include managing the assignments of military personnel who are subject to being rotated among billets and multiple missions. As we have previously reported, rotation policies can affect, for example, the Coast Guard's ability to develop professional expertise in its personnel and to retain qualified personnel as they progress in their careers.³⁰

In October 2008, the Coast Guard received congressional direction to develop a workforce plan that would identify the staffing levels necessary for active duty and reserve military members, as well as for civilian employees, to carry out all Coast Guard missions. The workforce plan is to include: (1) a gap analysis of the mission areas that continue to need resources and the type of personnel necessary to address those needs; (2) a strategy, including funding, milestones, and a timeline for addressing personnel gaps for each category of employee; (3) specific strategies for recruiting individuals for hard-to-fill positions; and (4) any additional authorities and resources necessary to address staffing requirements.³¹ In response, the Coast Guard plans to provide Congress with a workforce plan this summer. As part of our ongoing work for the House Transportation and Infrastructure Committee, we plan to review the Coast Guard's workforce plan. The scope of our work includes assessing whether the Coast Guard's workforce plan comports with the parameters set out by DHS guidance³² and contains the elements that we previously reported as being essential for effective workforce plans.³³ Our scope will also include assessing the

²⁸In discussing the rationale for this recommendation, among other considerations, NAPA cited two GAO reports: GAO, *Coast Guard: Relationship between Resources Used and Results Achieved Needs to Be Clearer*, GAO-04-432 (Washington, D.C.: Mar. 22, 2004), and *Coast Guard: Strategy Needed for Setting and Monitoring Levels of Effort for All Missions*, GAO-03-155 (Washington, D.C.: Nov. 12, 2002).

²⁹See, for example, GAO-08-494T, GAO-08-141, and GAO-08-12.

³⁰GAO, *Coast Guard: Challenges for Addressing Budget Constraints*, GAO/RCED-97-110 (Washington, D.C.: May 1997).

³¹The Explanatory Statement (House Appropriations Committee Print on H.R. 2638/Public Law 110-329, Division D, at 646) accompanying DHS's Fiscal Year 2009 appropriations (Consolidated Security Disaster Assistance, and Continuing Appropriations Act, 2009, Pub. L. No. 110-329, 122 Stat. 3574 (2008)) directed the Coast Guard to follow workforce planning guidance set out in Senate Report 110-396.

³²Department of Homeland Security, *DHS Workforce Planning Guide* (July 31, 2007).

³³GAO-04-39. The key principles reflect GAO's review of documents from organizations with government-wide responsibilities for or expertise in workforce planning models and tools. These organizations include the Office of Personnel Management (OPM), NAPA, and the International Personnel Management Association. Also, see OPM's Human Capital Assessment and Accountability Framework, developed in conjunction with OMB and GAO, which presents consolidated guidance on standards for success and performance indicators that agencies can refer to, including workforce planning indicators.

Coast Guard's related workforce initiatives, such as the Sector Staffing Model³⁴ and the Officer Specialty Management System.³⁵

As an example of its workforce planning challenges, the Coast Guard cites continued difficulties in hiring and retaining qualified acquisition personnel—challenges that pose a risk to the successful execution of the service's acquisition programs. According to Coast Guard human capital officials, the service has funding for 855 acquisition-program personnel (military and civilian personnel) but has filled 717 of these positions, leaving 16 percent of the positions unfilled, as of April 2009. The Coast Guard has identified some of these unfilled positions as core to the acquisition workforce, such as contracting officers and specialists, program management support staff, and engineering and technical specialists.³⁶

In addition, the Coast Guard has begun to address several workforce planning challenges raised by Congress related to its marine safety mission. In November 2008, the Coast Guard published the U.S. Coast Guard Marine Safety Performance Plan FY2009–2014, which is designed to reduce maritime casualties, facilitate commerce, improve program processes and management, and improve human resource capabilities. The Coast Guard recognized that marine safety inspectors and investigators need increased competency to fulfill this mission. The plan sets out specific objectives, goals, and courses of action to improve this competency by building capacity of inspectors and investigators, adding civilian positions, creating centers of expertise specific to marine safety, and expanding opportunities for training in marine safety. As noted, the challenge for the Coast Guard is to successfully implement this plan, along with the others we have described above.

The Coast Guard Has Taken Steps to Become the Deepwater Systems Integrator, but Some Concerns Remain Regarding Procurement Processes and Cost Reporting

In addition to workforce planning challenges, the Coast Guard faces other acquisition-related challenges in managing the Deepwater program. The Coast Guard has taken steps to become the systems integrator for the Deepwater program and, as such, is responsible for planning, organizing, and integrating the individual assets into a system-of-systems to meet the service's requirements.³⁷ First, the Coast Guard has reduced the scope of work performed by ICGS³⁸ and has assigned those functions to Coast Guard stakeholders. For example, in March 2009, the Coast Guard issued a task order to ICGS limited to tasks such as data management and quality assurance for assets currently under contract with ICGS. The Coast Guard has no plans to award additional orders to ICGS for systems integrator functions when this task order expires in February 2011. Second, as part of its system integration responsibilities, the Coast Guard has initiated a fundamental reassessment of the capabilities, number, and mix of assets it needs to fulfill its Deepwater missions by undertaking a "fleet mix analysis." The goals of this study include validating mission performance requirements and revisiting the number and mix of all assets that are part of the Deepwater program. According to the Coast Guard, it hopes to complete this study later this summer. Third, at the individual Deepwater asset level, the Coast Guard has improved and begun to apply the disciplined management process found in its Major Systems Acquisition Manual, which requires documentation and approval of acquisition decisions at key points in a program's life-cycle by designated officials at high levels. However, as we reported in April 2009, the Coast Guard did not meet its goal of complete adherence to this process

³⁴The Sector Staffing Model, chartered in 2007, is designed to: (1) quantify shortfalls to justify resource proposals, (2) provide a transparent basis for mission requirement resource allocation, (3) enable senior leadership and program managers to understand resource implications of proposed policy changes and requirements, and (4) help forecast future staffing needs based on projected activity and mission growth. The model was recently beta-tested with a planned deployment later this summer.

³⁵The Officer Specialty Management System will replace legacy officer billet codes with a new framework of officer specialties and sub-specialties, along with competency requirements for each. The system is intended to provide a clearer picture of what is required by billets and facilitate better identification of officer corps capabilities. The Officer Specialty Management System is being beta tested this summer, with a planned deployment for summer 2010.

³⁶GAO-09-620T.

³⁷In 2002, the Coast Guard contracted with Integrated Coast Guard Systems to be the systems integrator for managing the acquisition of Deepwater program assets. After the program experienced a series of failures, the Coast Guard announced in April 2007 that it would take over the lead role.

³⁸ICGS—a joint venture formed by Lockheed Martin Corporation and Northrop Grumman Ship Systems—was awarded a contract by the Coast Guard in 2002 to serve as a systems integrator for the Deepwater program.

for all Deepwater assets by the second quarter of Fiscal Year 2009.³⁹ For example, key acquisition management activities—such as operational requirements documents and test plans—are not in place for assets with contracts recently awarded or in production, placing the Coast Guard at risk of cost overruns or schedule slip-pages. In the meantime, as we reported in April 2009, the Coast Guard continues with production of certain assets and award of new contracts in light of what it views as pressing operational needs.

Since the establishment of the \$24.2 billion baseline estimate for the Deepwater program in 2007, the anticipated cost, schedules, and capabilities of many of the Deepwater assets have changed, in part because of the Coast Guard's increased insight into what it is buying. Coast Guard officials stated that the original baseline was intended to establish cost, schedule, and operational requirements as a whole, which were then allocated to the major assets comprising the Deepwater program. As a result, the baseline figure did not reflect a traditional cost estimate, which generally assesses costs at the asset level, but rather the overall anticipated costs as determined by the contractor. However, as the Coast Guard has assumed greater responsibility for management of the Deepwater program, it has begun to improve its understanding of costs by developing its own cost baselines for individual assets using traditional cost estimating procedures and assumptions. As a result of these revised baselines, the Coast Guard has determined that some of the assets it is procuring may cost more than anticipated. As we reported in April 2009, information showed that the total cost of the program may grow by \$2.1 billion. As more baselines for other assets are approved by DHS, further cost growth may become apparent. These cost increases present the Coast Guard with additional challenges involving potential tradeoffs associated with quantity or capability reductions for Deepwater assets. In addition, our April 2009 testimony noted that while the Coast Guard plans to update its annual budget requests with asset-based cost information, the current structure of its budget submission to Congress does not include certain details at the asset level, such as estimates of total costs and total numbers to be procured.

In our previous reports on the Deepwater program, we have made a number of recommendations to improve the Coast Guard's management of the program. The Coast Guard has implemented or is in the process of implementing these recommendations.⁴⁰

Problems in Deepwater Management and Oversight Have Led to Delivery Delays and Other Operational Challenges That the Coast Guard Is Working to Overcome

Other management challenges associated with the Deepwater program have operational or mission performance implications for the Coast Guard. Our prior reports and testimonies have identified problems with management and oversight of the Deepwater program that have led to delivery delays and other operational challenges for certain assets—particularly: (1) patrol boats and their anticipated replacements, the Fast Response Cutters and (2) and the National Security Cutters. The Coast Guard is working to overcome these issues, as discussed below.

As we reported in June 2008, under the original (2002) Deepwater implementation plan, all 49 of the Coast Guard's 110-foot patrol boats were to be converted into 123-foot patrol boats with increased capabilities as a bridging strategy until their replacement vessel (the Fast Response Cutter) became operational.⁴¹ Conversion of the first eight 110-foot patrol boats proved unsuccessful, however, and effective November 2006, the Coast Guard decided to remove these vessels from service and accelerate the design and delivery of the replacement Fast Response Cutters. The removal from service of the eight converted patrol boats in 2006 created operational challenges by reducing potential patrol boat availability by 20,000 annual operational hours.⁴² For example, fewer patrol boats available on the water may affect the level of deterrence provided as part of homeland security missions and reduce the Coast Guard's ability to surge during periods of high demand, such as may occur during missions to interdict illegal drugs and undocumented migrants.

To mitigate the loss of these patrol boats and their associated operational hours in the near term, the Coast Guard implemented a number of strategies beginning

³⁹ GAO-09-620T.

⁴⁰ For more details on our previous recommendations and their status, see GAO, *Status of Selected Aspects of the Coast Guard's Deepwater Program*, GAO-08-270R (Washington, D.C.: Mar. 11, 2009), pages 7–12.

⁴¹ GAO, *Coast Guard: Strategies for Mitigating the Loss of Patrol Boats Are Achieving Results in the Near Term, but They Come at a Cost and Longer Term Sustainability Is Unknown*, GAO-08-660 (Washington, D.C.: June 23, 2008).

⁴² Each of the eight 123-foot patrol boats was expected to provide 2,500 annual operational hours.

in Fiscal Year 2007. For example, the Coast Guard began using the crews from the eight patrol boats removed from service to augment the crews of eight other patrol boats, thereby providing two crews that can alternate time operating each of the eight patrol boats (*i.e.*, double-crewing). According to Coast Guard officials, additional strategies employed by the Coast Guard that are still in use include increasing the operational hours of 87-foot patrol boats and acquiring four new 87-foot patrol boats, among others.⁴³ To help fill the longer-term patrol boat operational gap, Coast Guard officials are pursuing the acquisition of a commercially available Fast Response Cutter. The first of these cutters is scheduled to be delivered in early Fiscal Year 2011, and the Coast Guard intends to acquire a total of 12 by early Fiscal Year 2013. While the contract is for the design and production of up to 34 cutters, the Coast Guard plans to assess the capabilities of the first 12 Fast Response Cutters before exercising options for additional cutters.

Regarding National Security Cutters, the first vessel (National Security Cutter USCGC BERTHOLF) was initially projected for delivery in 2006, but slipped to August 2007 after design changes made following the terrorist attacks of September 11, 2001, and was again delayed until May 2008 because of damage to the shipyard caused by Hurricane Katrina. Based on the results of our ongoing review, the USCGC BERTHOLF will likely be 1 year behind schedule when it is certified as fully operational, scheduled for the fourth quarter of Fiscal Year 2010.⁴⁴ Further, the eighth and final National Security Cutter was to be fully operational in 2016 but is currently projected to be fully operational by the fourth quarter of calendar year 2018. The Coast Guard has not yet acquired the unmanned aircraft and new small boats that are to support the National Security Cutters. The Coast Guard plans to draft operational specifications for the unmanned aircraft in 2010, and to acquire new small boats that are expected to be deployed with the first National Security Cutter by the end of calendar year 2010. After the unmanned aircraft is selected, the Coast Guard must contract for the acquisition and production of the unmanned aircraft, accept delivery of it, and test its capabilities before deploying it with the National Security Cutter—activities that can take several years. Delays in the delivery of the National Security Cutters and the associated support assets are expected to lead to a projected loss of thousands of anticipated cutter operational days for conducting missions through 2017, and may prevent the Coast Guard from employing the full capabilities of the National Security Cutters and the support assets for several years. Given the enhanced capabilities that the Coast Guard believes the National Security Cutters have over existing assets, a loss in operational days could negatively affect the Coast Guard's ability to more effectively conduct missions, such as enforcement of domestic fishing laws, interdiction of illegal drugs and undocumented migrants, and participation in Department of Defense operations.

To address these potential operational gaps, the Coast Guard has decided to continue to rely on its aging fleet of High Endurance Cutters and to use existing aircraft and small boats to support the National Security Cutters. However, because the High Endurance Cutters are increasingly unreliable, the Coast Guard plans to perform a series of upgrades and maintenance procedures on selected vessels. However, before this work begins, the Coast Guard plans to conduct an analysis on the condition of the High Endurance Cutters and complete a decommissioning schedule. As a result, work on the first selected High Endurance Cutter is not scheduled for completion until 2016. Until the Coast Guard has acquired new unmanned aircraft and small boats, the Coast Guard plans to support the National Security Cutters with the small boats and manned aircraft it currently uses to support the High Endurance Cutter. We will continue to assess this issue as part of our ongoing work and plan to issue a report on the results later this summer.

Madam Chair and Members of the Subcommittee, this completes my prepared statement. I will be happy to respond to any questions that you or other Members of the Subcommittee may have.

⁴³ For a complete list of mitigation strategies, see GAO-08-660.

⁴⁴ According to the 2007 delivery schedule, the first National Security Cutter was to be certified as fully operational in calendar year 2009.

APPENDIX I: PERFORMANCE RESULTS BY MISSION, FISCAL YEARS 2004 THROUGH 2008

This appendix provides a detailed list of performance results for the Coast Guard's 11 statutory missions for Fiscal Years 2004 through 2008 (see table 4).

Table 4.—Coast Guard Performance Results by Mission, Fiscal Year 2004 through Fiscal Year 2008

Coast Guard mission	Mission performance measures	Performance results					Performance target for 2008
		2004	2005	2006	2007	2008	
Missions meeting 2008 performance targets:							
Ports, waterways, and coastal	Percentage reduction in maritime security terrorism risk over which the Coast Guard has influence	n/a	14%	18%	15%	20%	≥15%
Drug interdiction	Removal rate for cocaine shipped via non-commercial maritime means ^a	30.7%	27.3%	25.3%	32.6%	33.8% ^b	≥28%
Marine environmental protection ^c	5-year average number of oil spills greater than 100 gallons per 100 million short tons shipped	17.2	15.4	13.6	13.9	12.7	≤13.5
	Annual number of oil spills greater than 100 gallons	162	155	165	135	111	≤151
	5-year average number of chemical discharge incidents per 100 million short tons shipped	42.6	32.0	27.9	24.7	19.7	≤26.6
	Annual number of chemical discharge incidents greater than 100 gallons	39	31	45	41	21	50
Other law enforcement (foreign fishing enforcement)	Number of incursions into U.S. exclusive economic zone	247	171	164	119	81	≤195
Ice operations	Number of days critical waterways are closed due to ice	4	0	0	0	0	≤2/8 ^d
Missions partially meeting 2008 performance targets:							
Aids to navigation	5-year average number of collisions, allisions, and groundings ^e	1,928	1,875	1,818	1,856	1,857	≤1,756
	Percentage of availability of Federal short-range aids to navigation	97.5%	97.1%	97.0%	97.9%	98.3%	≥97.5%
Search and rescue	Percentage of mariners in imminent danger saved ^f	86.1%	86.0%	85.3%	85.3%	83.6%	≥87%
	Percentage of people saved from imminent danger in the maritime environment	76.7%	77.1%	76.0%	76.6%	76.8%	≥76.0%
Marine safety	5-year average commercial mariner deaths and injuries	483	473	501	526	479	≤501
	Annual commercial mariner deaths and injuries	460	522	616	476	322	≤483
	5-year average commercial passenger deaths and injuries	170	171	216	238	244	≤225
	Annual commercial passenger deaths and injuries	259	188	336	253	185	≤201
	5-year average recreational boating deaths and injuries	4,703	4,502	4,366	4,253	4,070	≤4,252

Table 4.—Coast Guard Performance Results by Mission, Fiscal Year 2004 through Fiscal Year 2008—Continued

Coast Guard mission	Mission performance measures	Performance results					Performance target for 2008
		2004	2005	2006	2007	2008	
	Annual recreational boating deaths and injuries ^s	4,081	4,120	4,197	3,224	3,658	≤4,076
<i>Missions that did not meet 2008 performance targets:</i>							
Defense readiness	Percentage of time that Coast Guard assets meet designated combat readiness level ^h	76%	67%	62%	51%	56%	100%
Migrant interdiction	Percentage of interdicted undocumented migrants attempting to enter the United States via maritime routes ⁱ	n/a	n/a	n/a	65.2%	62.7%	≥65%
Living marine resources	Percentage of fishing vessels observed to be in compliance with Federal regulations	96.3%	96.4%	96.6%	96.2%	95.3%	≥97%

Source: GAO analysis of Coast Guard data.

Note: n/a, not available. Performance targets for previous years may have been different than Fiscal Year 2008 targets.

^aThis performance measure is to be retired for Fiscal Year 2009. The Coast Guard plans to transition to a new measure: the number of metric tons of cocaine removed.

^bThe cocaine removal rate estimate for Fiscal Year 2008 is based on the non-commercial maritime cocaine flow to the United States in 2007. Data on the cocaine flow to the United States in 2008 is to be available following the publication of the Interagency Assessment of Cocaine Movement in July 2009.

^cResults may be subject to change pending receipt of shipping statistics from the Army Corps of Engineers that are used to calculate the normalized 5-year averages. The data are not generally available until the December following the calendar year. In Fiscal Year 2009, the Coast Guard also plans to introduce a performance measure for oil spill mitigation.

^dClosure day targets vary according to the relative severity of the winter. The standard is 2 days in an average winter and 8 days in a severe winter.

^eA collision refers to two moving vessels that strike one another whereas an allision is when a vessel strikes a fixed object, such as a bridge.

^fThis performance measure is to be retired for Fiscal Year 2009. The Coast Guard has collected data for the new measure—percentage of people saved from imminent danger in the maritime environment—for several years, but has not reported it externally. The new measure includes “lives unaccounted for,” which are those persons still missing when search and rescue operations cease.

^g2008 data are based on reports submitted by state authorities that require validation. The Coast Guard expects further review of these 2008 reports will reveal a decrease in deaths and an increase in injuries, resulting in a probably net increase in the 2008 figure.

^hAccording to the Coast Guard, defense readiness metrics are being reviewed as part of the service's Mission Performance Plan to determine what potential changes, if any, are necessary.

ⁱPrior to Fiscal Year 2008, the Coast Guard's primary measure for this mission also included the percentage of undocumented migrants that were deterred from using maritime routes to enter the United States. However, given the uncertainties involved in estimating the deterrence of potential migrants, the Coast Guard chose to limit the measure to undocumented migrants interdicted.

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Senator CANTWELL. Thank you. And thank you both for your testimony.

I have a series of questions here, and we'll start with 5-minute rounds and go back and forth to try to get through as many of these as we can.

But, Commandant, I'd like to start with the Deepwater Program. As you know, this has been a major focus and source of frustration here on the Committee. In 1998, the Coast Guard estimated that the Deepwater Program would cost \$17 billion and be completed by

2018. In February, the Coast Guard submitted a revised Deepwater plan to Congress—that was in 2005—and the cost increased to \$24 billion—\$24.2 billion, and the completion date was pushed back to 2027. Now, this April, GAO has issued a report estimating that the total cost will increase by \$2.1 billion, bringing the real cost to \$26.3 billion. So, we started at \$17 billion, we're now at \$26.3 billion, and GAO has noted that the Coast Guard, as you continue to gain insights into this, that we might see further costs.

So, I wanted to ask you, Admiral Allen, in the GAO April estimate of the increase of \$2.1 billion, bringing the total cost to \$26.3 billion, what—were they correct in that April assessment? And is that still accurate today?

Admiral ALLEN. The assessment was accurate for what the Deepwater Program was described as when we ordered the contract. I might add the comment, what we are doing right now, we're in the process of disaggregating that collective body of work that was awarded to Integrated Coast Guard Systems and taking each asset and reestablishing an acquisition baseline. That has resulted in some changes of cost estimates, but it remains a work in progress. And there are some of which we have approved acquisition baselines and some that are still in progress. For example, we are still looking at revising the acquisition baselines for the fast-response cutter. Our C-130J program, the upgrades of our C130Hs and our H-65s—or H-60 helicopters, NAIS, and our C4ISR system—these could ultimately result in different changes, either up or down, and we have yet to take a look at the offshore patrol cutter and unmanned aerial systems, which have delayed due to technical reasons.

So, I would tell you that, at the time that the report was issued, that was correct, but the business process by which we will acquire these assets, which means open competition, bilateral contract awards, not through ICGS, could alter that, but it remains a work in progress, ma'am.

Senator CANTWELL. So, this Deepwater Program number is a moving target?

Admiral ALLEN. What we are doing is, as we disaggregate what was a collective estimate for the entire system, we're going to take each individual platform, which we will now openly compete, so we're going to move it into a different competitive and contractual environment until we establish those acquisition baselines. I would not want to go up or down from the number that we published previously, ma'am, but I think it will change; hopefully, it will go down.

Senator CANTWELL. So, it's a moving target. I'm—

Admiral ALLEN. Yes, ma'am.

Senator CANTWELL. OK. The fast cutter—the fast-response cutter, the parent craft, the South African Department of Environmental Affairs and Tourism paid \$10 million for. So, that's the parent craft. In contrast, the fast-response cutter to the Coast Guard was \$50 million per boat. So, why does the fast-response cutter that the Coast Guard purchased cost 500 percent more than its parent craft?

Admiral ALLEN. Well, I'd be glad to give you a detailed answer for the record. But, just off the cuff here, first of all, we're building

them in U.S. shipyards, with a different cost structure, and it's very different than having them built overseas. The integrated electronics package that goes with it was—is likely to be different. And I'd be glad to give you a detailed comparison for the record, ma'am.

[The information referred to follows:]

Answer. The Fast Response Cutter (FRC) acquisition was a full and open competition for a fixed price contract (with economic price adjustments), open to all U.S. shipyards. Evaluation of each of the six proposals included a detailed analysis for price reasonableness. This analysis included a comparison of the offeror's proposed prices against the independent government cost estimate. This rigorous process determined that Bollinger's price was fair and reasonable. This determination was validated by GAO in their January 12, 2009 protest decision rejecting an unsuccessful offeror's protest based on the government's fair and reasonable determination.

Although the South African patrol boat is the parent craft for the FRC, there are differences between the two which are necessary to meet the Coast Guard's requirements. Some of the key differences include increased flank speed from 23.8 to 28 knots (requiring different and more expensive engines), the addition of stern launch and recovery for small boat capability, additional bulkheads to improve damage stability, increased and "Americanized" electrical systems, reconfigured interior arrangements to enhance habitability and increased C4ISR capability. Additionally, the FRC project total acquisition cost includes a third-party design review by the American Bureau of Shipping (ABS), which is a certification and classification society. ABS certification was put in place to enhance oversight/minimize risk during design and construction. Finally, the FRC contract cost also includes non-construction items, such as training, test and evaluation, warranty, logistics support, insurance spares and outfitting, which were not factored into the cost of the South African parent craft.

Senator CANTWELL. Well, Admiral Allen, given your last response, that we are looking at a moving target on the overall cost of the Deepwater Program, and the fact that you don't have a sharper answer, I doubt that the labor costs are 500 percent more in the building of this craft.

Admiral ALLEN. No, ma'am. And I could give you a more detailed answer as we spread the cost of the entire length of the contract, per whole, and I'd be happy to do that for the record, ma'am.

[The information referred to follows:]

Answer. The total estimated amount for the Fast Response Cutter (FRC), \$3927.0M, represents the cost to acquire a total of 58 cutters. The following summary (in Then Year dollars) differentiates between production costs and government costs outside of the production contract.

Contract Cost Estimates: \$3361.0M

- Construction
- Spares
- Economic Price Adjustment
- Reprourement Data and License Package

Non-Contract Cost Estimates: \$566.0M

Senator CANTWELL. What is the exact figure being paid to Damen Shipyard for the parent craft licensing, design, and assistance fees?

Admiral ALLEN. I don't know that off the top of my head, but I'd be glad to answer for the record, ma'am.

[The information referred to follows:]

Answer. The Coast Guard's SENTINEL Fast Response Cutter (FRC) contract is with Bollinger Shipyards, Inc (BSI). Damen Shipyards Group is a sub-contractor paid directly by BSI. BSI and Damen have determined that details of their licensing fee and royalty arrangement are proprietary.

The BSI and Damen licensing fee and royalty arrangement is consistent with the other FRC offers which the Coast Guard evaluated.

Senator CANTWELL. How will the contractor mitigate concern expressed by the American Bureau of Shipping that the hull is not strong enough to withstand slamming pressures at high speed?

Admiral ALLEN. Well, we selected a design that was already in use, as you said, and not only South Africa, but in Jamaica, as well. We have independent ABS consultation, as you have just stated, and we are going over design reviews at this time. We have not got to the final design review on the cutter, but all those are being addressed in the reviews at this time.

Senator CANTWELL. Why hasn't the Coast Guard visited and toured the fast-response cutter—you know, the Damen product and the vessels operated by Jamaica, which is 13 feet shorter, 90 tons lighter, than the Damen, which is the Coast Guard's parent-ship craft?

Admiral ALLEN. Ma'am, I believe we have seen these ships in operation. I don't know the exact dates of the visit, but we can provide that to you.

[The information referred to follows:]

Answer. The Coast Guard SENTINEL Fast Response Cutter (FRC) parent craft is the Damen STAN 4708. South Africa currently operates Damen STAN 4708 patrol boats. The Damen patrol boats operated by the Jamaican Defense Force Coast Guard are the Damen STAN 4207, which differs in length and tonnage from the Coast Guard's FRC parent craft and the South African patrol boats.

Coast Guard personnel toured and got underway on the HMJS MIDDLESEX, a Damen STAN 4207 operated by the Jamaican Defense Force Coast Guard, on October 27, 2008. The USCG also visited the parent craft design/builder, Damen Shipyards, located in Gorinchem, The Netherlands, in January 2009.

Both of these visits followed the conclusion of the source selection process and contract award and focus on gathering design, build and operational lessons learned.

Senator CANTWELL. That would be much appreciated.

Admiral ALLEN. Yup.

Senator CANTWELL. And my time is up, but we'll come back—we'll come back to this.

Senator SNOWE?

Senator SNOWE. Thank you.

Admiral Allen, obviously one of the emerging threats is piracy, as we've seen with a number of incidents in the Gulf of Aden, as well as looking at the attacks that occurred in Mumbai last November, which obviously puts a greater strain even on the Coast Guard.

And, based on what the GAO has said, Mr. Caldwell, with the fact that it's becoming increasingly difficult to monitor, to track smaller vessels—I mean, it's becoming exceedingly difficult—how do you intend, Admiral Allen, to respond to this? I know you have a small vessel security strategy. Do you intend to reform it, update it from where you established it a year ago, given the number of incidents that have occurred? Obviously this is becoming a greater and more emergent threat that we have to address.

Admiral ALLEN. Ma'am, you're raising an extremely good issue. I actually have traveled around the world, I've met with the Director General of the Indian Coast Guard, Vice Admiral Chopra, about the Mumbai attacks. I visited the Horn of Africa, and I visited the

areas where we've had terrorist attacks before in the Middle East. Currently, the threshold for international regulation for monitoring vessels regarding carriage requirements for identification systems is 300 gross tons and above. Everything below 300 gross tons is the responsibility of the state that's involved, to set those regulations, and they vary dramatically all over the world.

To give you an example, the—in Singapore, they monitor, through locating devices, vessels down to the jet-ski level. In the country of Ecuador, it's 25 feet and above. I've engaged in a very robust public conversation with the interest groups in this country in the 3 years I've been Commandant. I'm talking largely about the recreational boating community, commercial fishing vessels, uninspected towboats and workboats, which largely constitute that body of vessels.

I do not believe there is a consensus in this country for what constitutes an adequate maritime security regime related to small boats. There are a couple of ways to come at this. One is locator devices that are mandated as carriage requirements. You can create exclusion zones and control traffic, the way we do with general aviation aircraft over the Capitol. But, as it stands right now, with all the groups that I have talked to, I do not see a clear consensus forward to move carriage requirements for locating devices down. We have the option to put various places off limits and put restrictions on where those vessels can move, but there is a strong history of autonomous operation on the water here, and that's really what we're dealing with, ma'am.

Senator SNOWE. So, how would characterize this vulnerability? Is it a serious vulnerability?

Admiral ALLEN. Out of all the threats we face in a port—and I'm talking about everything—cargo containers and everything—I would say, in my own personal view, it is the greatest vulnerability.

Senator SNOWE. It is the greatest vulnerability.

Admiral ALLEN. Yes, ma'am.

Senator SNOWE. Mr. Caldwell, I know that you have addressed this, based on your testimony—how—under the current circumstances, how could the Coast Guard combat this, in any way, other than, I gather, that increasing manpower?

Mr. CALDWELL. There are a couple of ways that the Coast Guard and other stakeholders are moving forward—and I think I want to emphasize the other stakeholders, because a lot of it is going to be up to them, as well. The Coast Guard has its Waterway Watch Program, which is a key program. Perhaps that can be made more robust. We've seen some very good programs at the State level. For example, New Jersey, where there were more frequent visits, more familiarization between some of the law enforcement folks and the people that work at everything from floating docks to bait shops to boat landings and places like that.

But, what it's—we see in some locations going on is increasing areas of exclusion to small boats; for example, I think it's—Port of Los Angeles, Port of Long Beach are both working on increasing some of the areas where—there's really no business for small boats to go there, so they're putting these exclusionary zones up. They al-

ready exist in some places, like Houston, where you have the ship channel.

But, I think, in terms of—the biggest problem—the core of the problem is, while the vulnerabilities are huge, there's really not a lot of active intelligence to show that there's an actual threat out there. And, like all problems like that, it's very difficult to get the political will to do something, or the resources to do something, until something happens. And hopefully that won't be the case in this case.

Senator SNOWE. Admiral Allen, are you devising a strategy or proposals in this regard?

Admiral ALLEN. Well, I think there are a couple of steps that we can take. First of all, under the Marine Transportation Security Act, we are going to lower the carriage requirements for automated identification systems to commercial vessels 65 feet and above, which will take another bite out of that population, if you will. But, sooner or later, we're going to get down to the threshold where we're going to be looking at largely recreational boats and commercial fishing vessels.

I think there are a couple of things to consider, moving forward, and some of these have safety implications, as well. We have thought, for many, many years, there ought to be a standardized way to establish competency for operating recreational boats. And there's a huge safety reason to do that. We kill about 700 people a year in recreational boating accidents. I think coming up with a standardized national way to establish competency requirements, so, when the Coast Guard goes aboard a boat, they know that whoever is operating it is competent, and who they are, will go a long way for resolving some of the ambiguity. But, ultimately, it's going to be the movement of the vessel itself and the tolerance for the American public to have that controlled.

Senator SNOWE. Thank you.

Thank you, Chair.

Senator CANTWELL. Thank you.

Senator WICKER?

Senator WICKER. Thank you.

Admiral the National Security Cutter is being built in Pascagoula, Mississippi, at Northrop Grumman. It's my understanding that the Coast Guard executed final acceptance of cutter number 1 in May, the BERTHOLF. Are you able to give us an initial assessment, at this point, of how the ship is performing its first months into service life?

Admiral ALLEN. Well, we have taken acceptance of the ship. It has been—it's passed all information assurance and tempest testing, so it has interim authority to operate regarding the information systems and the communication systems onboard. We remained and built—put equipment into the SCIF, which was an add-on after the contract was awarded. The ship has passed its combat systems qualifications test, and is now deployed in the Eastern Pacific on a counterdrug patrol.

So far, the positive things that are said about the ship is, number one, how quiet it is and how smooth the ride is. And we know that seakeeping capacity for these large ships that operate offshore is going to be extremely important.

Some of the issues are, we are dealing with and will want to take a look at as we operate the ship in its first year, are the boat-handling systems, how well—launch and recover boats; and you only do that by actually getting out and testing that in an operational environment. But, other than that, early on the crews think it's a great ship. The habitability is much better than anything we've ever built before, and as is the central package.

Senator WICKER. Great. National security cutter number 2—how do you pronounce that?

Admiral ALLEN. "Way-she" [WAESCHE].

Senator WICKER. "Way-she" [WAESCHE]. Two syllables. Is it 87 percent complete? Is that my—am I correct in that understanding?

Admiral ALLEN. Yes, sir, 85 to 90 percent. Yes, sir.

Senator WICKER. OK, good. Based on that—we have number one out in the Eastern Pacific now, we have the WAESCHE almost complete—would you say the NSC design is now mature?

Admiral ALLEN. It will be mature when we finally finish operational test and evaluation, but we think we have a steady technical baseline that we have addressed all of the structural issues related to the fatigue life of the ship, which was originally in question, whether or not it would make 30-year service life with the changes that are being made. The Naval Surface Warfare Center at Carderock has validated the fact that it will achieve a 30-year service life.

What we intend to do with the first two vessels is actually—we are actually putting what we call "strain gauges" on them, and actually test the forces on a ship in operation to see what the optimum retrofit of those two hulls would be to achieve a 30-year service life.

A good deal of these estimates were made on computer modeling that had never done before, and you need to kind of compare that to the operational environment the ship is in and how it's performing, and that's what we're doing right now.

Senator WICKER. When do you think we'll accept the—execute final acceptance of the WAESCHE?

Admiral ALLEN. It'll be next year sometime. We'll—we will commission it later on this year, and then put it into service 1 year after that—there's a warranty period—and we'll take delivery, sir.

Senator WICKER. Calendar year 2010.

Admiral ALLEN. Yes, sir.

Senator WICKER. Well, let's talk about the cost. There are obviously a number of factors. There were changed requirements, based on 9/11; there was a strike. But, not the least of the factors was Hurricane Katrina. But, it—all of these contributed to a higher-than-expected cost of the BERTHOLF. I hope we can bring costs down in the future. And I recently voiced my support in a letter, with Senator Landrieu and Senator Vitter, for providing the Coast Guard with the funding needed for long-lead-time materials on NSC hulls 5 through 8. By purchasing the materials now, it is thought that we will save money on a per-unit basis and bring stability to the shipbuilding and industrial vendor base. What do you think of that rationale, Admiral?

Admiral ALLEN. Well, sir, generally, in any ship contracting environment, the more you buy, and the earlier, there's going to be an

economic advantage in doing that. And what you don't want to do is break production, because you learn—you lose a learning curve with the employees. It has to be reestablished on subsequent hulls.

By providing the long-lead-time materials for number 5—would allow us not to break production and proceed in doing that, and it would also lower the unit cost for all the remaining vessels.

Senator WICKER. Then, if I have—well, I'm—25 seconds.

I think I'll wait until the second round, Madam Chair. Thank you.

Senator CANTWELL. Thank you, Senator Wicker.

Senator BEGICH?

Senator BEGICH. Thank you very much, Madam Chair.

A couple of questions. Thank you very much for both of you being here today. And, as you know, from Alaska, with a sizable amount of coastland—coastline, there is huge demands—a variety of demands and different conditions. Can you tell me, Admiral, in regards to the Arctic needs—icebreakers and—kind of, where we might be, or where we should be, with the activity within the Arctic with—between icebreakers and stationing and other types of activities? I know I've had discussions with individuals within your organization, but can you give me some thought there? And have you put together, or are you in the process of putting together, a long-term plan of dealing with the Arctic? As we know, it's not just going to be fishing, it's going to be oil, it's going to be transportation, it's going to be cruise ships, it's a variety of things. Can you give me some comment?

Admiral ALLEN. Yes, sir. First of all, for the past two summers and this summer we have moved equipment up to the North Slope to see how it operates in the open water as the icecap has receded. And this includes small boats, helicopters, buoy tenders, and larger cutters. And I'll separate out the icebreaker issue for a moment, if I could.

Senator BEGICH. Sure, no problem.

Admiral ALLEN. We are learning, now, valuable lessons about what operates up there well and what doesn't, and what can support operations and what can't. We know that we are challenged with small-boat operations, because of the ability to launch them in the vicinity of Point Barrow, and maybe need to look at an alternative, such as an airboat that we use on the Great Lakes in the ice season.

Our helicopters are challenged by the lack of navigation and communications, command-and-control infrastructure up there. And the weather, even in the summer, as you know, is very changeable up there. Any ship operating of the North Slope, even in open water, has to have some kind of ice-strengthened hull on it, because there are pieces of ice floating around there, and if the direction of the wind flows for any particular time steadily, it can all pack together. So, at a minimum, one of our reinforced hulls on our ice—I mean, our buoy tenders would be needed to operate up there. We've moved to a high-endurance cutter up there. It's not the optimal platform to operate up there.

We're in the process of doing a high-latitude study, and, later on this year, we hope to develop a mission analysis for what exactly the requirements are to operate up there and what capabilities

would meet it. There is not a—quite a match right now, one for one, on what we have, but we are taking what we have and moving it up there in the summer to try and achieve an effect.

Regarding the icebreakers, there's a current national policy discussion going on pursuant to the issuance of National Security Presidential Directive 66, that was issued in January, that laid out a much broader set of national issues up there that go well beyond the traditional science, which was the basis for the last directive, in 1994. I think we need an alternatives analysis. We have an issue with—our icebreaker fleet is atrophying, and we're in the—we run the risk of losing that national capability.

I don't want to leap right ahead to say we need to start designing and building icebreakers right now, but we have to have an alternative analysis of what kind of presence and what kind of capability we need up there. There needs to be consensus, and we need to move ahead.

Senator BEGICH. Let me go a little more detail there. In regards to moving equipment—because I am familiar with your last 2 years or so of work up there, especially within the Barrow region, and it hasn't been very successful. I mean, it's taught—it has given you a lot of insight, there's no question about it—but, do you believe, in the mission analysis that you mentioned, the high-altitude study that you're doing—what's the timetable for that? And what will your hope be out of that? Will it tell you what you need to do up there, the capacity, as well as the budgetary needs? And what's the—again, what's the timetable on that?

Admiral ALLEN. It will give us what is required to operate up there. In other words, you need a—let's say, a capability that can operate X miles offshore in such amount of ice that's in the water, be able to be—move it, to launch it, to refuel it, to have people to support it. That may or may not lead you to what we have right now. My guess is, it will lead us to something other than what we're operating up there right now, because—

Senator BEGICH. And so—

Admiral ALLEN.—we know that we're having issues. But, that kind of baseline-level requirement—presupposing the platform, and then you go to an alternatives of analysis in how you would achieve that.

Senator BEGICH. And would it lay out a detailed timetable?

Admiral ALLEN. Hopefully, yes.

Senator BEGICH. And a cost?

Admiral ALLEN. That will be related to the alternatives analysis and what platforms might be desired up there. There's a big difference between running in an airboat and having some kind of an—

Senator BEGICH. I see.

Admiral ALLEN.—ice-strengthening cutter operate offshore.

Senator BEGICH. Oh, yes.

Admiral ALLEN. It's how you want to create the presence.

Senator BEGICH. And those reports will be done when?

Admiral ALLEN. Later this year, sir.

Senator BEGICH. Later this year?

Admiral ALLEN. Yes.

Senator BEGICH. Will they be in time for—as you move through the 2011 budget process, to include, if necessary?

Admiral ALLEN. It would——

Senator BEGICH. Might——

Admiral ALLEN.—be close, and I'd be glad to give you an update for the record.

Senator BEGICH. That would be good. My concern is, as you know, the activity up there, especially with exploration and others increasing rapidly, and the issues of fisheries is being debated as we speak, now, of what will be open, or not. And if we are not in the 2011 cycle, we'll be in the 2012-beyond, and there'll be a lot of activity up there, and I'd hate to not be prepared. And the Coast Guard is critical up there for life safety. So, could you give me something on the record on that, on the timetable, and if that will fit into the budget process?

[The information referred to follows:]

Answer. The High Latitude Study Mission Analysis Report is being completed in phases. The first portion, which addresses current polar icebreaking requirements in the Arctic, is currently under review. The remainder of the report, which will examine Coast Guard requirements across all mission areas and future icebreaking requirements in the Arctic and Antarctic, is in progress and will be completed by June 2010. It should be noted that Phase I of the report may be updated based on findings contained in subsequent phases.

Admiral ALLEN. I would be happy to do that. I would make one quick comment. Irrespective of where we go with icebreaker replacement, icebreakers are capable of providing presence and a wide range of multimission activities up there now. That's the reason maintaining that capability in the current government inventory until we make a decision is extremely important.

Senator BEGICH. Thank you very much.

I'll hold my next—because I do have some questions on icebreaker capacity. So, I'll leave that.

Senator CANTWELL. Thank you.

Admiral Allen, I'd like to go back to the Deepwater Program and—one of the—you talked about the cost possibly going up and down, a moving target, if you will. Are you looking at the timetable for asset delivery to be 2027? That's kind of what—that is what the GAO, based on their analysis of your work, was originally 2027. Not originally; originally, it was 2018. But, since we've gone through this—one of the great Coast Guard mishaps, known as the Deepwater Program—now it's 2027. So, do you still believe in that delivery date for the assets, or is that going to change, as well?

Admiral ALLEN. Well, I think, as we take each one of these platforms, and we independently compete it, openly compete it, we have an opportunity to maybe move that back to the left. That—we would all agree, that is way too long, especially when you're dealing with ships out there in the conditions that ours are in right now. That's the reasons rebaselining each one of these assets is extremely important, to look not only at what the cost is to do it independently and with an open competition, whatever opportunities might exist, as well, to move those schedules to the left.

Senator CANTWELL. And on the fast-response cutter, to be clear, I don't—our records show that you have not visited the parent

craft; you have visited similar craft, but you have not visited the parent craft. And why this is so important is because obviously if you base the original design on something and then add, you know, 13 feet to it—we've been down that track before, with the 110-class cutter, and the problems that we faced when 13 feet were added. And so, if you're going to buy ships that cost \$50 million apiece, wouldn't you want to visit the parent craft to understand its vulnerabilities, particularly when we want to know whether the hull is strong enough to withstand slamming at high speeds, a basic day-to-day function of the craft?

Admiral ALLEN. Yes, ma'am. When we talk about parent craft, it's not the identical ship that's going to be built; it's close enough where a design can be derived from it that meets our requirements. The previous patrol boats that were built at Bollinger, the 179-foot patrol craft, the 110-foot patrol boats that we bought, and the 87-foot patrol boats, were all derivative of parent craft. The 123 extension was modifications made to ships that had already been in service for many, many years, under many—very different conditions, and I'm not sure they're comparable.

Senator CANTWELL. I know what's comparable, and the thing that's comparable here is, we don't want to find out that somebody hasn't dotted the i's and crossed the t's and come back with a vessel that doesn't perform.

Admiral ALLEN. I agree with you completely, ma'am.

Senator CANTWELL. OK. So, my question is—so, did you visit something that was 13 feet shorter and 90 tons lighter, or did you visit something that was the exact specifications?

Admiral ALLEN. Because the ship we will build will not be exactly like the parent craft, I would have to say no, we haven't, because the ship hasn't been built, ma'am.

Senator CANTWELL. So, I think that—OK, we'll get back to that in a second. I want to go on to the major system acquisition manual. The GAO and IG and Defense Acquisition investigations into the Deepwater failings said that one of the underlying problems was the fact the Coast Guard failed to own—follow its own Major System Acquisition Manual, and that's obviously the acquisition process that the Coast Guard sets out, and obviously the Coast Guard exempted the Deepwater Program originally from that.

In the Coast Guard hearing in April of 2007, you told me that the Major System Acquisition Manual will apply to all acquisitions. So, are there any current Coast Guard actions that are deviating from, and not completely abiding by, the acquisition manual?

Admiral ALLEN. Well, first of all, we—the Major Systems Acquisition Manual is the acquisition doctrine, according to our acquisition blueprint. I would have to go back and do a review and see if there are any exceptions, but no major gaps that I'm aware of, ma'am. But, I will be glad to check and provide an answer.

Senator CANTWELL. Well, it's my understanding that the fast-response cutter is not completely following the acquisition manual process.

Admiral ALLEN. In what regard, ma'am?

Senator CANTWELL. In the process of acquisition for making sure that there is a timely—sorry. GAO testified before the House that the Coast Guard actually departed from the procedures set forth in

its revised Manual for Design Construction. I don't know if GAO wants to comment on this.

Mr. CALDWELL. We did find some issues where they were diverging from the MSAM and not following it. This was test run by Mr. Hutton, my colleague, who focuses on some of the acquisition work. But, that was in our April testimony. I can give you the exact details of those before.

[The information referred to follows:]

Answer. All Coast Guard major acquisition projects are required to comply with the Major Systems Acquisition Manual (MSAM). However, the following integrated Deepwater Systems (IDS) projects are being transitioned to spate major system acquisition, in many cases receiving additional acquisition documentation them previously as part of IDS. In the interim, as this documentation is developed, these projects are not in compliance with the MSAM: such as the Maritime Patrol Aircraft (MPA), HH-60 Conversion Project, HH-65 Conversion/Sustainment Project, HC-130H Conversion/Sustainment Project, HC-130J Fleet Introduction, National Security Cutter, Offshore Patrol Cutter, Fast Response Cutter (FRC), IDS Small Boats, and C4ISR.

During the transition of individual acquisition projects out of the Deepwater "system-of-systems" environment, each individual project was reviewed to determine where it was positioned within the acquisition lifecycle framework. All Deepwater acquisition projects are now required to develop individual asset-based plans. Progress toward completion of required MSAM plans is monitored and reported quarterly for all major acquisitions (including the Deepwater asset-level projects) to ensure all projects complete phase-appropriate required plans prior to their next scheduled milestone review (Acquisition Decision Event) with the DHS Acquisition Review Board.

MSAM deviations by the FRC and C4ISR projects cited by GAO are acknowledged. Although the FRC project proceeded with contract award without an Operational Requirements Document (ORD), the Coast Guard, with DHS concurrence, authorized a waiver to proceed using a Top-level Requirements document to mitigate the significant mission gap in patrol boat hours, addressing some of the performance gaps mentioned by Mr. Caldwell earlier in his testimony. The C4ISR Discrete Segment 2 (Migration) contract was also awarded without an ORD because the effort builds on Discrete Segment 1 (initial capability already delivered under ICGS) and transitions the proprietary software system to one functioning with more government-owned software, facilitating future Coast Guard integration, support, and sustainment. Additionally, the existing robust set of C4ISR Project requirements were derived from an approved Deepwater Mission Need Statement—20 April 2005, Deepwater Concept of Operations (CONOPS)—25 June 2002, Deepwater ORD—25 June 2002 and many other baseline documents, asset CONOPS and ORDs. These requirements were addressed to produce, test and deploy the C4ISR hardware and software baseline releases for the National Security Cutter (NSC) and the MPA mission support systems on the HC-144A "Ocean Sentry" Medium Range Surveillance Aircraft and the HC-130J Long Range Surveillance Aircraft. The Coast Guard currently is developing ORDs for both FRC and C4ISR projects.

Mr. CALDWELL. One other area of work where Coast Guard is—I mean, I think in—in some cases Coast Guard is trying to implement the MSAM, it's just, Have they done it, and at what point do you have to stop what you're doing to comply with MSAM, versus continue to execute the contract? So, I think that's probably part of the tradeoff that the Coast Guard—

Senator CANTWELL. But, isn't—

Mr. CALDWELL.—is facing.

Senator CANTWELL.—isn't this what got us into trouble, by throwing out the rules of acquisition? And isn't—

Mr. CALDWELL. Certainly.

Senator CANTWELL.—isn't what—going to give us confidence, moving forward, is that we are following the manual again?

Mr. CALDWELL. Certainly.

Senator CANTWELL. I mean, I have—

Mr. CALDWELL. And we have—and we are moving toward that, in terms of recommending the Coast Guard move forward on that acquisition.

Senator CANTWELL. Thank you. My time is up.

Senator SNOWE, did you want to—

Senator SNOWE. Thank you, Madam Chair.

Admiral Allen, do you agree with what was written in the GAO report regarding the potential cost of the program on Deepwater to grow by \$2.1 billion? I know, Mr. Caldwell, that in your testimony you indicate that in April, information showed the total cost of the program may grow by \$2.1 billion. Do you agree with that, Admiral Allen? I mean, have you—

Admiral ALLEN. I think, at the time, given the way the acquisition was structured, that was a valid estimate. As I stated to Madam Chair Cantwell, we are disaggregating every platform in Deepwater, and rebaselining the acquisition, including the cost projections. This will cost some variability, and it will be a moving target, as I stated earlier. We also have the opportunity, because we are going to be competing these things, and a lot of the work won't be assigned, as would have been the practice under Deepwater. There is an opportunity to achieve some efficiencies. But, we are in the process right now of rebaselining all these acquisitions, and as we do that we will make the information available to the Committee.

Senator SNOWE. Also, they recommended that certain details at the asset level, such as estimate total cost and total numbers to be procured, were not included in your budget.

Admiral ALLEN. They will be, under each acquisition.

Senator SNOWE. They will be?

Admiral ALLEN. That is part of the process, yes, ma'am—

Senator SNOWE. OK.

Admiral ALLEN.—is to provide that clarity and transparency.

Senator SNOWE. OK. With the first National Security Cutter, costs increased 100 percent during the design and the construction phase. And, as Senator Wicker was just mentioning, concerning the fact that the lead materials would be a way in which to reduce the costs—

Admiral ALLEN. That's correct.

Senator SNOWE.—because it would not interrupt the process, it wouldn't interrupt the construction, it wouldn't incur delays. So, have you argued to have that additional money provided so that you can acquire the lead materials so it can be a consistent, seamless process during the course of design and construction on the subsequent cutters?

Admiral ALLEN. Well, there have been legitimate issues raised, not only by the Committee, but inside the Administration, whether or not we had achieved the, quote, "technical baseline" for the National Security Cutter that I addressed earlier in response to Senator Wicker's questions. What we are doing right now is, we are bringing in an independent third party to validate whether or not we've got that technical baseline right. Just one more check added to what I said earlier. And, based on that, we will propose to the administration to go forward and seek the funds for long lead time for number 5, and that is a work in progress.

Senator SNOWE. On the high-endurance cutters—I mean, we know about the ages and the emergency maintenance; about a third of the high-endurance cutters are now in drydock for maintenance. What about funding? Are you going to be robbing Peter to pay Paul on these maintenance issues because there is not additional funding, as I mentioned in my opening statement that is targeted for those specific issues? So, are you going to borrow from maintenance of other—

Admiral ALLEN. If we get the President's request in FY 2010, we should be OK on the high-endurance cutters. There was an extraordinary maintenance line item included in our current services budget, not the enhancements over the top of \$35 million. If we get that in the President's budget, we'll be successful for 2010. But, I would have to state that, when we move to 2011, we're starting to get to a point with the National Security Cutters coming online, we have got to look at removing the oldest and then the—cutters that are in the—need of most repair, at some point, are going to have to be removed from service, and we've got to get the new cutters out there. That will reduce the cost of maintenance and allow us to put the cutters that are out there, capable, on patrol.

Senator SNOWE. But, do you have specific funding for the high-endurance cutter's maintenance?

Admiral ALLEN. We—

Senator SNOWE. Do they schedule—

Admiral ALLEN. We get funding and—for—

Senator SNOWE. Are they scheduled maintenance or unscheduled?

Admiral ALLEN. The DALLAS the GALLATIN is unscheduled maintenance right now.

Senator SNOWE. Right. So, those are costs that you didn't anticipate. So—

Admiral ALLEN. Correct—

Senator SNOWE.—how are you going to—

Admiral ALLEN.—so we're moving money around.

Senator SNOWE.—accommodate—

Admiral ALLEN. Exactly right, ma'am.

Senator SNOWE. Yes, that's a problem.

Admiral ALLEN. Yes, it is, and—

Senator SNOWE. I mean, because that's a problem with—

Admiral ALLEN.—we're recouping some of that in 2010 in the budget.

Senator SNOWE. I hope so, because—

Admiral ALLEN. Yes, ma'am.

Senator SNOWE.—we don't want to repeat those mistakes of the past, which was, you know, borrowing from maintenance of already aging fleet, which I know you know, as well as I do, is the third oldest naval fleet in the world. So, I mean, clearly we need to do everything we can to stay on course without borrowing from other maintenance programs in order to underwrite this maintenance. If it needs to be done, it needs to be done, and obviously you need to have the assets, and so do the men and women who depend on it. So, I hope that you will continue to consult and communicate with us on that.

Now, one other issue, in support of acquisition reforms. GAO noted that 16 percent of the Coast Guard's acquisition personnel positions remain vacant. What are you doing to address that so that we also don't invite repetitive issues, such as cost overruns, delays, and other issues regarding Deepwater? Are you filling those position? What's happening there?

Admiral ALLEN. Yes, ma'am. In fact, that number kind of moves around. I think, actually, as of the time of this hearing, I think it's down around 14 percent, so it's dropped a little bit. And this moves as people transfer seasonally or compete for other jobs.

One of the most valuable things we can have is what we call direct-hire authority, when we go out and we find somebody to have a streamlined way to bring them onboard. And recently we've started a program where we're going to start taking senior enlisted people in the Coast Guard and putting them through an internship program—will ultimately lead to assignment as a Coast Guard officer or petty officer, on retirement, to hire them as a civilian, where we've actually—starting to grow our own from within the Coast Guard. We're also actively recruiting all the way around town.

I would tell you this, everybody's looking for the same people right now, because there's a lot of acquisition reform going on in DOD, a lot of shipbuilding issues out there, so we're all competing for the same job pool. And in some cases, we are at a disadvantage, because DOD is allowed to hire what we call "retired annuitants," we're already receiving a pension, you're brought back onboard. And, of course, there's monetary advantage to doing that. Wherever we can establish parity with DOD, we'll be able to sustain that. But, as it stands right now, we're down slightly from the 16 percent, and trying to drive that down further and creating our own workforce.

Senator SNOWE. Thank you.

Senator CANTWELL. Senator Wicker?

Senator WICKER. Thank you.

Admiral you testified you recently were in Charleston. The cutters, GALLATIN and DALLAS, are there for unplanned repairs and unavailable for service. How long will they be unavailable, in your estimation, sir?

Admiral ALLEN. I believe they've got about another 3 or 4 months on the availability. I can give you an exact answer for the record, sir.

[The information referred to follows:]

Answer. DALLAS will return to operational status upon completion of the structural repairs, scheduled to be completed October 3, 2009.

GALLATIN will return to operational status after reassembly of the Main Diesel Engines, scheduled to be completed December 18, 2009.

Senator WICKER. OK. And how much longer can we expect the high-endurance cutter fleet to remain in operation?

Admiral ALLEN. Sir, that's a question very, very related to the conversation we've been having here. It has to do with a couple of things. Number one, how quick the replacements get out there. And number two, the funding base we have to deal with increasingly aging ships that are having systemic breakdowns. I said in my opening statement—and I was in the engine room of these ships where they were taking the engines apart. And usually you

don't want to be doing engine overhaul in a drydock, because that's not a clean environment to put engines back together. But, some of the main parts for a center-section overhaul on a Fairbanks Morris engine exceed 1 year and had to be made "on order." So, to the extent that we preordered kits to do scheduled maintenance and overhauls, and we have an unscheduled maintenance, we're having to take those kits, put the boats back in service, and we slowly use our stock up, and it creates a huge backlog in getting the parts out that we need to repair these engines. So, it is a problem, sir.

Senator WICKER. How many cutters do we need to execute our missions?

Admiral ALLEN. Well, sir, we have a range of cutters, from patrol boats up to National Security Cutters and high-endurance cutters that are coming online. If you take a look at the entire mission that we're looking at right now, including the demands we have—and we're having increasing demands overseas from our global combatant commanders for theater security cooperation, things like nation-building in Africa, and we just a cutter complete around an around-the-world trip working for all the different combatant commanders—that demand out there significantly exceeds the current fleet size, as far as how much you want to build is a question of how much Coast Guard you think you need and how much risk you're willing to absorb.

Senator WICKER. Will eight National Security Cutters be enough to replace the 12 high-endurance cutters?

Admiral ALLEN. I believe they will, for all the domestic missions. What these cutters are aimed at are places—whether it's—you need endurance seek-keeping capability and persistence, things like the Bering Sea, Eastern Pacific, long drug patrols, and things like that—they're actually going to be very suitable for dealing with deployments in support of our combatant commanders, whether that's in Africa or the Middle East or so forth. But, with eight cutters, there's going to have to be a tradeoff of what we can support, in terms of requests for Coast Guard. And right now we are limited in how much cutter days that we can provide to our DOD counterparts overseas by the size of the fleet. Increasing the size of the fleet would allow us to do more of that.

Senator WICKER. Which cutter made the around-the-world trip? And how old is that—

Admiral ALLEN. It's the Coast Guard cutter Boutwell. It is the same age as the other high-endurance cutters, around 40 years, and they should be pulling in, as we are having the hearing today, sir, into Alameda, after leaving in February.

Senator WICKER. How long does—following up on your answer in my earlier around, how long does it take to analyze whether the computer analysis is correct, as compared to actual practice, once you've accepted these ships?

Admiral ALLEN. That's a good question, Senator. We're doing it for the very first time in the Coast Guard. Some of the concerns about the fatigue life of the National Security Cutter were related to computer modeling that showed that the repeated stresses—and this is because of the new computational power that we have right now, we can do these models—and run them and run them and run them—said that, at 30 years, there are certain parts of the ship

where we might—that might be subject to stress or cracking, not immediately, but 25, 30 years down the line. As a result of that modeling, we have made changes to the design of the third hull and beyond. We need to go back and actually get empirical data by putting strain gauges on the ship to see how close the actual performance of the ship matches what the computer predicted, because all the discussions on the fatigue life of the National Security Cutter had been based on computer modeling. We have not seen the ship in actual operation. So, we've got an unprecedented opportunity to compare empirical data and how good the computer program was.

Senator WICKER. It'll still——

Admiral ALLEN. And we are doing that.

Senator WICKER. It'll still be a guess as to what will happen, decades from now.

Admiral ALLEN. Oh, I wouldn't call it a guess. I think we're pretty close on the science, or—the question is, how accurate is the computer model? I don't think we're talking about anything catastrophic happening very soon to these ships. It's a question of maybe 3 or 4 years, at the margin, at the end of the service life.

Senator WICKER. Admiral, you have spoken numerous times about the need to grow the Active-Duty size of the Coast Guard. Where do you see the Coast Guard's necessary Active-Duty end strength, 5 years from now? And where would you like for it to be?

Admiral ALLEN. Well, where it will be is very difficult to presume in the current fiscal environment. There are tremendous stressors on the Federal budget, as you know. I can tell you there are programs that are coming online that are going to require resources, that are not currently resourced. For instance, we are on the verge of issuing towing vessel regulations. These are long-needed regulations that would allow us to regulate the towing industry. That's going to require inspectors and people to actually follow up on that. We have growth in the LNG industry. We are dealing with larger, more complicated cruise ships, as far as our marine safety program goes, and we are dealing with a lot more vessel traffic. Most of the goods that come out of this country come through the maritime transportation system. So, there are demand signals out there that will either have to be met or we'll assume a risk position because we can't do that with the workforce we have.

Senator WICKER. Based upon those projected demands, would you like to advocate a number——

Admiral ALLEN. Well——

Senator WICKER.—for the Committee?

Admiral ALLEN.—I'm not in a position to advocate a number. What I have said in the past, and will continue to say, at our accession points in the Coast Guard, we can accommodate anywhere from 1,500 to 2,000 people a year without having to invest more in the buildings and the mess halls and all that sort of thing. There are—our FTE growth—our growth this year is 295. Our capacity is 2,000.

Senator WICKER. But, that's a matter of how many you can accommodate, as opposed to how many you need.

Admiral ALLEN. This—sir, this is a basic discussion of how much risk we're willing to absorb with the force we've got. One of the basic value propositions for the——

Senator WICKER. But, I'm asking you your advice——

Admiral ALLEN. Yes.

Senator WICKER.—to this Subcommittee.

Admiral ALLEN. It's more than what we have now, sir. It's—I could give you an estimate for the record.

[The information referred to follows:]

Answer. The Coast Guard has not completed an unconstrained workforce need analysis. Requests for additional personnel are developed in the annual budget build and then evaluated against Department and Administration budget levels for further consideration. Personnel capacity requirements are also carefully balanced against performance and mission risk. We estimate the Coast Guard's training and infrastructure capacity will accommodate accessing and training approximately 1500–2000 personnel per year.

Admiral ALLEN. But, frankly, the towing vessel requirements alone in future years, at a minimum, are going to be several hundred people to accomplish just that mission

Senator WICKER. Thank you, sir.

Senator CANTWELL. Senator Begich?

Senator BEGICH. Thank you very much, Madam Chair.

I had, actually, a list of questions, but this conversation has intrigued me, so I'm going to ask one off of my list and get clarification on a few things.

One is more of a parochial, maybe you could follow up with it. And that is, in March the Coast Guard POLAR SEA dragged its anchor through an area of Puget Sound—and at the same time, it's a well-charted area—telecommunication lines were there, it broke a line, it has not been resolved, in the sense of who pays. And I wonder if you can kind of just put that on your tickler to let us know, kind of, the status of that and how soon that issue will be resolved. It's a major line that brings telecommunications Internet service to Alaska, and it was clearly a charted area. And, for whatever reason, the Coast Guard broke the line. And I think it has been emergency-repaired by the company, but not resolved. If you could put that on your tickler, that would be great.

[The information referred to follows:]

Answer. The Coast Guard is continuing its investigation and in the process of adjudicating the claim. Time line for adjudication of claims depends on several factors, including the complexity of the legal issues involved as well as the time it takes for claimants to provide requested supporting documentation. For GCI Communications Corps' claim, we have assessed that there are some legal issues that need to be addressed (both for liability and damages analysis). In addition, the Coast Guard may be requesting further documentation from GCI Communications Corp as to their alleged damages. Finally, depending on the outcome of the adjudication process, there may be need to have Department of Homeland Security (DHS) Office of General Counsel and Department of Justice (DOJ) involvement since the demand is over \$1.5 million.

We will afford every effort to work with the claimant, Coast Guard members, and if needed DHS and DOJ, to expeditiously handle this matter.

Senator BEGICH. Let me—you know, the questioning that was just going on—and again, this wasn't part of my list of questions, but I'm going to ask you a series of questions, and it helps me understand some of the conversation that's gone on here. When we construct a ship and it's completed, is there a period of time that

the contractor is responsible for the success of that vessel, in the sense of what it said it would do? And if so, what are the ramifications if it doesn't perform? And that would be to you or to Mr. Caldwell. Do you have those in contracts, that allow—

Admiral ALLEN. Yes, currently right now there's a one-year warranty period after you take delivery. And so, the question is, what are you accepting at delivery? And then, what are you accepting at the end of the one-year warranty period?

And the first two National Security Cutters are—have been awarded in what is called cost-plus environment, so what you're doing is, you're paying for whatever costs are being incurred. So, if they're—you're having them do the warranty work, they're going to—they will do it, but you will pay for it under the provisions of the contract, because it's not a firm fixed-price contract. And sometimes it's a better business decision to go ahead and take receipt of the vessel and then attend to that with your base funding. And that's a business decision we make. Moving into a fixed-price environment, there is a much higher standard to hold the contract to, and that's what we're trying to get with the National Security Cutter right now.

Senator BEGICH. If—

Admiral ALLEN. I'd ask Mr. Caldwell to comment.

Mr. CALDWELL. I have no further comments on the warranty.

Senator BEGICH. OK. If it doesn't perform as you had anticipated—not necessarily a warranty issue; not performed—what happens?

Admiral ALLEN. Well, obviously we have contractual—we can go back and demand—where the work be done, contract be met, and deal with the contractor in that regard. And that's what our contracting officers would do if it was warranted. There are some cases where, depending on the specific issue, we may choose to fund that ourselves, right off in the contract, because, from a business case, it might not be as expensive.

Senator BEGICH. And the one-year—is one year enough time for you to do—I mean, I've got a seven-year on my car, but on a vessel, is one year enough?

Admiral ALLEN. I believe it's an industry standard, but I can give you some more thoughts on that for the record, if you like—

Senator BEGICH. OK, yes.

Admiral ALLEN.—sir.

[The information referred to follows:]

Answer. Currently, the Department of Homeland Security Acquisition Regulations (HSAR 3046.790) requires the use of warranties in major systems contracts valued at \$10M or higher. The National Security Cutter (NSC) Delivery Task Order (DTO) is a Cost Plus Incentive Fee-type contract and includes a warranty provision. The August 2007 Consolidated Contracting Action for NSC 1 included a warranty clause where, "the Contractor guarantees for a period of twelve (12) months 'after' Preliminary Acceptance of the NSC 1, all supplies furnished under this DTO will be free from defects in material and workmanship and will conform with the specifications and all other requirements of this DTO . . . The cost of any action taken pursuant to this [clause] for replacement or correction shall be included in computing allowable cost . . . but no additional fee [profit] shall be payable . . ." for the warranty work.

The Coast Guard is currently transitioning the NSC program to a fixed price contract. Navy fixed price contracts for ship construction include a 9-month to 1 year warranty, but limit the contractor's liability for the correction of defects to a specific amount (normally between \$1M and \$10M). The GAO reported on warranties in a

report titled 'Weapons Acquisition—Warranty Law Should Be Repealed' (1996), which examined the usefulness of warranties in weapons systems procured by DOD. The report concluded that warranties for weapons systems acquisition do not provide a cost benefit for the government. The NSC project shares many of the attributes of a large weapons systems acquisition. Unlike industries with high unit production, such as the auto industry, the government is often the sole buyer of a product and cannot share the warranty costs with other users, therefore absorbing the vast majority of the risk of failure on its own. In the report, GAO discovered no evidence that warranties motivated contractors to improve their products. As a result of GAO's review, it recommended the warranty law be repealed.

Admiral ALLEN. And maybe Mr. Caldwell has a comment.

Mr. CALDWELL. No.

Senator BEGICH. No? OK.

This might be for Mr. Caldwell. When you mentioned those deviations from the contracting process, the acquisition process, I'm assuming that was on the Coast Guard side, they deviated from the rules and regulations in some instances, as quoted by the Chair. What happens to those employees that made the decision? Someone had to make the decision, right?

Mr. CALDWELL. Well, let me do this. Let me talk about what the specific deviations from the MSAM are, just to give a more detailed answer—

Senator BEGICH. If I—

Mr. CALDWELL.—to Senator Cantwell's—

Senator BEGICH. If I can do this, because my time is—

Mr. CALDWELL. Yes.

Senator BEGICH.—limited on the—

Mr. CALDWELL. Yes.

Senator BEGICH.—on the clock. So, I—deviated—for whatever standard, they deviated.

Mr. CALDWELL. Correct.

Senator BEGICH. OK? Authorized, unauthorized? Someone had to make a decision, correct?—to deviate from the rules.

Mr. CALDWELL. Yes, I think that generally these were, as Admiral Allen would say, probably business decisions, in terms of how much do you want to slow down the process, as opposed to—

Senator BEGICH. Right. I understand that, but they deviated from the rules. The rules didn't say, "For business decisions, you can deviate from the rules," did they?

Mr. CALDWELL. No, the MSAM has certain requirements that are—

Senator BEGICH. OK.

Mr. CALDWELL.—laid out.

Senator BEGICH. So, what happens to the employees that deviate from the rules?

Mr. CALDWELL. Well, we're—

Senator BEGICH. Did your—

Mr. CALDWELL.—pointing those out. Obviously, Coast Guard decides whether they take other action on the employees themselves—

Senator CANTWELL. Admiral?

Admiral ALLEN. Yes, maybe I can add a little clarity to this. As we were transitioning from the previous Deepwater structure, where we weren't applying the doctrine of the MSAM to the MSAM, you obviously have work in progress and business decisions

you have to make while you're doing that. And I believe, in the case of the FRC, where we had taken eight patrol boats out of service and were suffering a patrol-boat-hour gap, there was a need to decide whether or not to proceed to get the boats there as soon as we can and use—and take care of the documentation and some of the things that is associated with the MSAM that we would normally want to do, and will do in the future, to be able to mitigate that patrol-boat gap at an earlier time.

Senator BEGICH. So, I—that didn't answer my question, but that—I think the answer was you deviated because you thought it was in the best interests of getting what you needed online, and there's no repercussion to the employees, and the rule book is the rule book.

Admiral ALLEN. Well, we—

Senator BEGICH. I'm trying to figure out if the rules are laid out to follow, but, because a determination is, because of a business model—which I understand—but then, the rules are not modified to meet those future—those rules of flexibility—I'm just trying to figure out that piece. And maybe there's no answer to it, because it—and there's—

Admiral ALLEN. There should be less ambiguity, moving forward as we move the entire system under the Major Systems Acquisition Manual. There was a decision to be made about this patrol-boat acquisition, given the patrol-boat-hour gap. The business decision taken was to get the vessels under construction as fast as possible. If there's any accountability here regarding that decision, it is mine.

Senator BEGICH. OK. The last question, and then my time—actually, two quick ones. One is on the towing and your potential and future—is there any recouping of the costs by the people that you're doing the rules and regulations that are—I mean, are we bearing all that cost, or is there industry cost or associated cost that someone's paying the fee for?

Admiral ALLEN. There are some fees associated with certificate of inspections being issued—

Senator BEGICH. Yes.

Admiral ALLEN.—and so forth, but the entire cost—

Senator BEGICH. Towing.

Admiral ALLEN.—including personnel, it's not a recoup by fees, no, sir.

Senator BEGICH. Was there ever discussion of that?

Admiral ALLEN. No, sir.

Senator BEGICH. OK. And last one—and this goes to, I think, Mr. Wicker's—Senator Wicker's question, and the Chair's question, to some degree, and that is, Do you have a document that lays out long-term—and actually, Senator Snowe brought this up—long term, over the next 5, 10 years, what your capital requirements will be, your costs associated with that, and your maintenance that will be associated with that? In other words, we have a lot of discussion here about equipment needs and gaps or no gaps. Do you lay that out so, you know, we know, in year 2013, you're going to need so many pieces of equipment, which will have a maintenance cost of so much, a personnel cost—do you have such a document? I know, in local government, it's required to do this.

Admiral ALLEN. Here's what we're working on right now, and it's actually a requirement for Congressional reporting; in this case, to the Appropriations Committee, but it's called the Deepwater Expenditure Plan, that lays out exactly what are going to be the ramifications of this acquisition baseline review that we are doing. In addition to that, we have a capital investment plan that projects 5 years on our AC&I appropriations, and where we need to go on that. And we are, in the Department of Homeland Security right now, trying to evolve to what we call a Future Years Homeland Security Plan, which is very much like the DOD—

Senator BEGICH. DOD.

Admiral ALLEN.—Future Defense Plan. That—I would just tell you, that's a work in progress.

Senator BEGICH. Great, thank you.

Thank you, Madam Chair.

Senator CANTWELL. Thank you, Senator Begich. And thank you for your questions and, obviously, your interest in all of these areas. We certainly appreciate your attentiveness on this Committee, and welcome your focus from your State's perspective. So, thank you.

I do want to—since the Senator is still here, maybe if I could further in on the polar icebreaker questions that the Senator originally posed, which is, What risks are we assuming by only having two, and possibly three, icebreakers? I mean, obviously the contention here is the lack of budget planning for the icebreakers.

Admiral ALLEN. Yes, ma'am, there are a couple. First of all, prior to 2006, the main employment of the POLAR SEA and the POLAR STAR was to do the annual breakout of McMurdo Station, which is the base station to resupply the South Pole. U.S. Transportation Command annually brings several very large freighters and oil tankers in that provision the station, and those are further transmitted to the South Pole and other places in Antarctica. So, that is one area that was within the baseline mission set of the polar icebreakers.

We also have traditionally taken care of everything in what I would call the Western Arctic, and that includes up off the Northern Slope. There, we have an MOU with Canada, and a division of labor. Our Air Force site at Thule, Greenland, is broken out every year by the Canadian Coast Guard icebreakers, so they tend to take care of everything east, we take care of everything west, through a mutual agreement. And sooner or later we would have to cover the East Coast, had the—were the Canadians not cooperating with us. This allows us to keep our icebreakers in one place, in Seattle and Puget Sound, and focus on the West Coast side.

The other area, obviously, with open water up there now and the issues that I talked about, with being able to operate up there even when it's supposedly ice-free—there are large pieces of ice up there; icebreakers constitute a way to have presence, they have sustainability, they can remain on scene a long period of time, and they're not inhibited in that harsh environment.

One of the problems we have operating up there is that, for any vessels that are greater than 22 feet in draft, they can't get into Nome, the next refueling station is down at Kodiak. And depending on where you're at, up toward the Northern Slope, that could be

900 or 1,100 miles back to get fuel. So, most normal ships, that would present a very, very challenging operating environment. It does not, for the polar icebreakers. They present national capability for presence in a harsh environment where we have no alternative.

Senator CANTWELL. And when you say that—I mean, what would you say to fishing vessels and cruise ships? You just mentioned other ships don't have that capability, so what would you say to those vessels that are operating, if they sail into the Arctic, about their ability, you know, to run into trouble and the ability of the Coast Guard to help them?

Admiral ALLEN. Well, as it stands right now, our ability would be limited—unless we happen to have a ship up there in the summer, it would be limited to aviation capability and what we could deploy by air, operate out of either Point Barrow or Prudhoe Bay.

Senator CANTWELL. And since we only have two that are operational, and Russia has something like 20, and Canada has 13, how can we really maintain an adequate presence in that area, for our national interests, without additional icebreakers?

Admiral ALLEN. Well, if we—the three that—the HEALY, which is an ice-strengthened research vessel, and the POLAR SEA and the POLAR STAR, if they are all up and operating, it takes one polar icebreaker to support the breakout of McMurdo; that leaves one available for operations north, in addition to the HEALY.

Senator CANTWELL. But, you want to get the POLAR STAR back in service, and we don't have the money in the budget. Don't we need the money?

Admiral ALLEN. We would like to see the POLAR STAR completely refitted and back into service, ma'am. And I note, on the Senate side, there is money provided in the appropriations markup out of the Committee, and I believe that's being acted upon in the next day or two.

Senator CANTWELL. And so, we need that money.

Admiral ALLEN. Yes, ma'am.

Senator CANTWELL. Thank you.

Senator Begich, did you have any follow up on that, since this is such a critical, important issue to the larger region, economically, that you and I both represent?

Senator BEGICH. Thank you very much, Madam Chair. I do—and I appreciate your comments, and I know there is money in the appropriations bill that's moving forward. I think it was, like, \$70 million, or—I can't remember the exact number, but there is a sizable amount there.

But, to the bigger question that the Chair asked, and that is the risk, we have three. And your phrase was, "If all are operating," which is not always the case.

Admiral ALLEN. Is not the case, sir.

Senator BEGICH. Right. So, we have three that are kind of limping along a little bit, need some resources. What's the adequate number of an icebreaker fleet, in anticipation of what's happening now with the Arctic and—as well as other work we have around the world? That's the ultimate question. And I—and I'm going to—

Admiral ALLEN. No, I can give you a force-sizing answer, Senator. If you want a 1-0 presence—in other words, you want to be

able to get as far into the ice anytime of the year that you need to, north and south, to be able to keep somebody on station, it takes three cutters to do that. And if you're talking north and south, it would be six, if that was your requirement.

Senator BEGICH. And that would be if—I would say, on a scale of 1 to 10, that being the 10, so—

Admiral ALLEN. Yes, sir.

Senator BEGICH. So, really, probably, to get to that adequate level, probably at least four that are running, three at a—you know, if I was kind of grading, it would probably be, like, a 5 level, out of 1 to 10, would be 3. In other words—

Admiral ALLEN. What we have right now, in my view, is the minimum capability we need to be able to respond, if all three of them are operating. And they are not.

Senator BEGICH. They are not. So, that's the biggest challenge, right there.

And the life expectancy once—and assuming they get renovated—what's the life expectancy? I mean, is it really—

Admiral ALLEN. Well, it goes down—it gets down to a point of how much you want to invest, sir.

Senator BEGICH. That's—that—

Admiral ALLEN. You can extend the service life 7 to 10 years.

Senator BEGICH. Right.

Admiral ALLEN. My judgment, without doing a lot of analysis—and we can provide you more information—would be that the only way you would—the only reason you would extend the service life would be to buy you time to come up with a larger grand solution on what your ultimate requirement was, sir.

[The information referred to follows:]

Answer. The total cost to reactivate POLAR STAR based upon a continuous 30-month project is approximately \$62.8M of Acquisition Construction & Improvement (AC&I) funding. The 30-month project, which consists of a six-month planning period followed by a 24-month maintenance period, reactivates POLAR STAR and extends service life by 7–10 years.

Senator BEGICH. For, potentially, new ones.

Admiral ALLEN. Or you could take both of them out of service and retrofit them completely—gut them, new engines, and everything.

Senator BEGICH. Gotcha.

Admiral ALLEN. But, then again, you're losing two icebreakers until you—

Senator BEGICH. You'd—

Admiral ALLEN.—get them back, sir.

Senator BEGICH. Then you're really at risk, because—

Admiral ALLEN. Yes, sir.

Senator BEGICH.—you're down to one in a time when a lot of activity could be occurring in the Arctic.

Admiral ALLEN. Yes, sir.

Senator BEGICH. Is that fair?

And I guess, on top of that, I know there's—as we move into these summer months, especially in the Arctic, with more exploration and other activity, are—is there need for Congress to do anything additionally to support you over the next 24 months? And why I say this is, you know, I get very nervous with so much activ-

ity starting to occur up there, and I know the capacity of what you can and cannot do up there, based on very good briefings I've received. And there is a great desire, I know, from your command structure, to do whatever is possible. But, you're fairly limited. And so, is there anything that you would recommend, in this next 24 to 36 months, that we should be doing now, financially or otherwise, to support the efforts of—I'm very—I mean, all it takes is one incident up there and we have a major problem.

Admiral ALLEN. Yes, sir. I think there are several things.

First of all, I think we need to stabilize and maintain the capability we have. I don't think it should drop below what we have. Right now, we have two usable icebreakers—one heavy-duty icebreaker and one ice-strengthened research vessel. So, job one is to get POLAR STAR back in operation so you have the three functional icebreakers that this country needs and has been validated in a number of studies by the National Research Council and others over the years.

The second thing, in my view, is then to stabilize the business practice associated with that. The conference report from the appropriators last year asked that the Administration move the base operating funds from the National Science Foundation to the Coast Guard to operate the cutter—the icebreakers. We've had negotiations, and the National Science Foundation has drafted a Memorandum of Understanding; they have no objection to the transfer of those funds.

So, that leads me to the third point, and that's working inside the Administration right now to create a position that's consistent with the goals of the National Security Presidential Directive 66 and actually take an Administration position and move forward on the base funding. And then, after that it would be taking an assessment of the missions needs in the Arctic and decide what to do about replacing the icebreakers or extending their service life.

Senator BEGICH. Thank you very much, Admiral.

Thank you, Madam Chair.

Senator CANTWELL. Admiral, what is the process of working with the Administration? Because your testimony here has been quite clear this morning about the need and what's at stake for us, as a nation. So, what is the problem of us having zero in the budget for the POLAR STAR and asking the Senate to do the heavy lifting, then? Which can be problematic, because the question is then asked, Why isn't it in the budget?

Admiral ALLEN. Well, frankly, I would say it's probably as much a process as a content issue. You know, we've had a condensed Fiscal Year 2010/2011 budget, and there have been a lot of internal reviews and re-reviews with the change of Administration. There's no objection, in the National Science Foundation, the Coast Guard, to moving this ahead.

My position, as the Commandant of the Coast Guard, to the extent that there's a consensus needed to move this thing forward, is to create that consensus. I have worked very, very diligently, and have met with my counterparts in the Council on Environmental Quality, Dr. Jane Lubchenco, the new Director of NOAA; Carol Browner, the Energy and Climate Czar in the White House; and Lisa Jackson, Administrator of the EPA, and I've laid out these

issues, and I'm working with them to move forward inside the Administration.

Senator CANTWELL. And so, you are continuing that in the present?

Admiral ALLEN. Yes, ma'am.

Senator CANTWELL. Well, we'll look forward to that progress. And again, I thank the Senator from Alaska for his due diligence on this important issue. And perhaps, you know, we'll have to have further discussion and further hearing on this to highlight for the American public what really is at risk in the Arctic without this kind of service capabilities.

Admiral, I'd like to go back to Deepwater, if I could, and to the National Security Cutter and the lack of a sensitive compartmental information facility, often referred to as SCIF, which I believe is used primarily for enclosed area for the processing of secure classified information. Is that correct?

Admiral ALLEN. A particular type of information, yes, ma'am.

Senator CANTWELL. Isn't the—isn't it true that the first National Security Cutter does not have a completed SCIF?

Admiral ALLEN. That is true, ma'am.

Senator CANTWELL. And why is that not completed yet?

Admiral ALLEN. The original design on National Security Cutter did not include a SCIF. After 9/11, there was a reassessment of the requirements on National Security Cutter, and the decision was made to create what we would call, in naval architecture terms, a space and weight reservation for that functionality that could be outfitted with an electronic suite after delivery. So, it was a conscious decision to add the requirement from the baseline design that was offered by Northrop Grumman, ma'am.

Senator CANTWELL. But, was—

Admiral ALLEN. And so, that will be built as the ship goes into service. It can operate right now. It has a—it will have a functionality far and above what it has now once the SCIF is operational. And that is an additional requirement that was added to the ship.

Senator CANTWELL. But, that was mid-design, correct? Mid-design construction, when that decision was made?

Admiral ALLEN. The decision was made to allow for the—again, the space and weight—in other words, to create the volume and the space inside the ship to accommodate that and then build the equipment in after delivery. It was never anticipated to be there on delivery, ma'am.

Senator CANTWELL. Never anticipated when the—where were you at, post-9/11, on the design, mid-construction? Do you know? Or maybe you could get an answer for me on that.

Admiral ALLEN. I can get—I can tell you, there—a SCIF was not contemplated in the original design of the ship, ma'am.

Senator CANTWELL. My point is, I know it wasn't in the original design. I don't know what the issues were of why that wasn't, but—I'm looking at more detail on the decision of, when it was decided, post-9/11, why it wasn't then—why not implement that at that point in time, as opposed to later, saying, "We'll come back and address it?"

Admiral ALLEN. Yes, ma'am, I can get that for you.

[The information referred to follows:]

Answer. After the events of September 11, 2001, the Coast Guard recognized the need to include a shipboard Sensitive Compartment Information Facility (SCIF) and the related equipment onboard the National Security Cutters (NSCs). This post-9/11 requirement was introduced during the design process for the NSC before any ship construction started.

Beginning in 2003, the Coast Guard implemented a phased approach to design and build the space, procure the equipment, and install the SCIF equipment aboard the NSC. The Coast Guard adopted this best practice of placing to limit acquisition cost, schedule and performance risk and to avoid production delays. At the time the Coast Guard was planning for the SCIF requirement, it was projected the first NSC would be delivered by 2006 (pre-Hurricane Katrina). Although the Coast Guard was able to design a SCIF for the NSC prior to construction, the cost associated with the new requirement was yet to be requested through the budget process. Additionally, there was a need to coordinate implementation of this effort with the Intelligence Community (IC). Finally, the long-lead time required for the installed equipment did not align with the schedule of the first NSC. All of these factors prompted the decision to implement a phased approach to the SCIF.

The following provides a timeline of decisions and events associated with the SCIF installation on NSC:

- In June 2003, space, weight, and power reserves were incorporated into the NSC design for the SCIF, after approval by the Coast Guard Agency Acquisition Executive (AAE). This decision was based upon a May 2003 brief that stated the NSC #1 would be delivered without an operational SCIF. The decision to incorporate these changes into the initial design of the NSC, prior to construction, avoided substantial re-design that could have had significant negative impacts on the NSC cost and schedule.
- In November 2004, non-recurring engineering and an antenna analysis were initiated.
- In the spring of 2006, the SCIF space was prepared for the C4ISR equipment installations, including cable runs and structural foundations.
- The final phase of the approach included the procurement of the C4ISR equipment for the SCIF, the installation of the equipment, and final test and accreditation.

Once the equipment is installed, the Coast Guard will work with the cognizant Special Security Offices, U.S. Navy's Space and Naval Warfare Systems Command (SPAWAR), and its own C4ISR technical authority, the Assistant Commandant for C4 & IT (CG-6), to gain appropriate certification and accreditation for the SCIF and its associated equipment.

Admiral ALLEN. It's not uncommon to build out the basic hull of a ship and then have a second phase of the acquisition, where you bring the electronics into it. And this is a case where we created the space and the capability to have the equipment, with the knowledge we could bring the equipment on later. But, I'll give you the exact dates, ma'am.

[The information referred to follows:]

Answer. In November, 2006 the Vice Commandant, acting as the AAE, directed the appropriate Coast Guard staffs to seek and identify funding for SCIF and directed that SCIF capability (including equipment procurement and installation) be provided as funding allowed and within the Deepwater Acquisition Program Baseline.

Senator CANTWELL. Well, as you can imagine, with the Deepwater Program, we're looking for—to move ahead in a new—in providing the continuity, and not coming back and looking at the design and finding out that that original design is counter to some of the mission-critical elements. And obviously, the security part of this, and interoperability with the Navy, is very mission-critical. Is that right?

Admiral ALLEN. Yes, ma'am. Our current suite right now is interoperable with the Navy. I will be—I would be happy to give you and the Committee a classified brief on exactly what the SCIF is intended to do. It might be more enlightening if we could do it in another environment, ma'am.

Senator CANTWELL. That would—I would welcome that, and have been to other settings to review classified information as it relates to acquisition; and I think this is something that's very important for members to do, to have thorough oversight. So, happy to take you up on that opportunity.

If I could, turn to modernization. I know you're currently undertaking your modernization efforts, and that you are trying to change from an existing geographic-based command structure, like the Pacific and Atlantic Command, to a centralized function command. Both GAO and the National Academy of Public Administration has expressed concerns that the Coast Guard has not yet developed performance measures to apply to that modernization effort. What steps have been taken to monitor the process and the programs to make sure that there are metrics in place so that you'll know when you're successful?

Admiral ALLEN. Yes, ma'am. First of all, we don't object to the findings of the GAO or NAPA. If I could just give you some background about how this came about. And we're quite happy to develop a set of metrics. As Mr. Caldwell said, there are a lot out there. The question is, How do we want to measure it? And we will do that, and we will move forward.

When I presented the cause for action to the men and women of the United States Coast Guard, 3 years ago, on modernization, I was careful not to link it to what I would call a budget drill or some externally fiscally driven pressure that was causing us to do things like we did in the middle of the 1990s, when we were basically streamlined and downsized, \$400 million and 4,000 people over the course of 2 years. That is still seared in the memory of our people that were involved in that. I wanted to focus on doing our work better and effectively executing the mission, with the knowledge that, sooner or later, to the extent that efficiencies were created, we would be able to use those to the benefit of the Coast Guard. We're in a position to do that now, but I never make—made the basic cause for action to our people or anybody else the fact that this was going to be the way to save money. This will be a way to execute our mission more effectively. I think we're in a position now to answer those questions, and we intend to do that, ma'am.

Senator CANTWELL. Mr. Caldwell, do you have a comment on this? Because I guess what I'm looking for are, What are the problems that the Coast Guard is trying to address by modernization? What are the goals? How do you—how do we know if we've achieved success? And so, I look at that as the—you know, the process we're following today is a little bit putting the cart before the horse.

Mr. CALDWELL. Yes. As Admiral Allen said, I think that a lot of this was, What makes sense for the Coast Guard, given several years? But, in terms of what we looked at, in terms of the report to Congress that the Coast Guard did on the reorganization, as

well as in some of the budget statements, it was a call for, not only more effective, but more efficient use, and that's where a lot of our concern was, is, while there are promised efficiencies there, those kinds of measures aren't in place. While, the Coast Guard can continue to use some of its effectiveness measures, how many mariners were saved, how many, you know, things were stopped, in terms of fishing, fishing intrusions, those kinds of things? There were not very many measures, in terms of, What can we get with our resources, and How do we know if we're being more efficient or not? And if we do go to a tighter budget environment, those kinds of measures will be even more important as we move forward.

Senator CANTWELL. Well, I think many of the members who were here today would advocate that the Coast Guard's mission is already being stretched and that resources are being pulled—and some—are shortchanged. So, obviously, this efficiency effort and structure is critically important. I mean, I don't think the agency has much room to spare.

Mr. CALDWELL. I would agree with that.

Senator CANTWELL. We've given the agency more and more responsibilities, post-9/11.

Mr. CALDWELL. I would agree.

Senator CANTWELL. And so, what do you think the process should be now, to go back and identify—

Mr. CALDWELL. Well, the Coast Guard—they do have hundreds of business metrics in their repertoire of various measures of what they're doing, and it's really a process of sitting down hard and saying, How do we try to measure how efficiently we're doing these things, as opposed to just more resources to get to a certain level? And—or, the situation is—a lot of the situation is, we just need more resources to improve that metric, as opposed to the efficiency, where we do it with. Once that is done, you have to put those in place, and, like any performance measure, start to test them to see if they work. I think that the difficulty for the Coast Guard will be, because a lot of their resources, including their people and their vessels and airplanes, are multimission. "How do you measure efficiency toward any of the one missions?" is going to be the hardest part of that.

Senator CANTWELL. Senator Begich, did you have a—another round of questions?

Senator BEGICH. I don't, Madam Chair, but thank you very much.

Senator CANTWELL. OK, thank you.

I'd like to, Admiral Allen, if I could, talk about oil spills and the Oil Spill, Salvage, Firefighting Final Rule of December 31, 2008. Thank you very much for that, very much appreciated. The nontank vessel—basically, the cargo ship plan, however, is still not complete. And I know that last year we talked about this, that there would be a proposed rulemaking for nontank vessel response plans in 2009, to be completed in 2010. Are we still on track for that?

Admiral ALLEN. Yes, ma'am, I believe we are. This is being routed to the Administration, but I'm very optimistic we'll get that done.

If I could add one more comment, there are two rules that would really help this nontank vessel response plan. One is the fire-fighting and salvage rules, the other one is a requirement from back in 1993 legislation that we take a look at aerial surveillance, use of dispersants, and other technologies that would ultimately affect the response plans, not only for nontank vessels, but for the tank vessels that are already being regulated, and waterfront facilities, as well. Our goal is to queue up the firefighting regs, the new oil spill removal regs, followed by the nontank vessel response regs, so those, too, can be included in the revised regulation, which we hope to get the notice out later this year, ma'am, as we discussed.

Senator CANTWELL. And so, that—so, we will see that at the end of the year. And how much progress has the Coast Guard made in reducing the backlog, in general?

Admiral ALLEN. Pretty good, ma'am. I think this is a—somewhat of a good-news story. We put 31 full-time equivalents into that office. We've given them several million dollars, we've hired economists, and we've been able to significantly increase the throughput of regulations; not only just regulations, but things that have to be issued under a docket, where there are notifications associated with that. And we feel that, moving into 2009 and 2010, we probably can be on the verge of just about doubling the output of last year, I think which was 28 up to 50.

Senator CANTWELL. And so, that would leave us, at the end of the year, with a—what's the time-frame on that? You're saying that's what's completed, so, at the end of this year, we would have how many—

Admiral ALLEN. I think the—fully staffed regulatory office that we have right now, we'll be moving capacity from 28 to 50 a year.

Senator CANTWELL. OK. And to combine some of the questions we had before about the Arctic and oil spill, last year when we were discussing this and I asked you to grade the Coast Guard's ability to respond to oil spills in the Arctic, you answered "Unknown." So, we now—you know, basically we know more about this issue. What grade would you give the Coast Guard's ability to effectively respond to a major oil spill in the Arctic?

Admiral ALLEN. It would depend on the radius of where the event was from where our units are at. If I could just explain. Right now, we don't have any permanent—units permanently stationed north of Kodiak Island, which means you have to go south and around the—through a cut in the Aleutians to move forward. So, as you get past the Pribilofs up through the Bering Sea, up north, off the North Slope, the further away you have an event, the more problematic it is going to be. We can get there fairly quickly in the Aleutians, but the further you go north through the Bering Sea, unless we happened to have a vessel that is on patrol up there, and if you go through the Bering Sea, one that is ice-capable, and that's either the HEALY, the POLAR SEA or one of our 225-foot buoy tenders that has an ice-strengthened hull, it will be a significant challenge to get there with a surface unit.

That said, we can get aviation units up there fairly quickly, and we can forward-deploy our C-130 aircraft out of Nome, Point Barrow, or Prudhoe Bay. There are also requirements for the people that operate oil facilities up there to have response equipment con-

sistent with the regulations, so whoever is operating on the North Slope would have to have organic equipment and oil spill response organizations to be able to respond. But, as far as organic Coast Guard equipment, it will be a challenge off the North Slope.

Senator CANTWELL. So, if last year was “unknown,” what is this year?

Admiral ALLEN. Very, very hard.

Senator CANTWELL. OK, thank you.

Back to the Deepwater Program as it relates to the budget and capital funding. And, Mr. Caldwell, if I could get your input on this, as well. Do you see particular non-Deepwater funding areas where the Coast Guard is falling behind?

Mr. CALDWELL. Well, I think they’re making some progress in some areas where we’ve found deficiencies before. Small boats is an area where they’re making progress, and the numbers are up there. For some of the AtoN boats, there’s still a backlog of maintenance, and some of the performance of those vessels has declined. And then, I think icebreaking is the big unknown. I think, in terms of the domestic icebreaking, you’ve got the MACKINAW, and so, you’ve kind of got a model there, in terms of relatively new ships for the domestic mission. And the domestic icebreakers also have served some very useful purposes for port security and other functions during summertime of the year, when they’re not needed for icebreaking. But, the polar icebreakers, which are generally outside the Deepwater envelope, are probably the biggest source of where there’ll be a big demand for additional resources.

Senator CANTWELL. And I guess, Admiral, my question is—I mean, given the amount of funding request for the Deepwater Program, it’s leaving very little room for other improvements, things that are the nonsecurity missions. And so, we talked about icebreakers, obviously, but aids-to-navigational boats don’t also need—I mean, don’t appear to be addressed in the budget. And so, does this raise concerns for you about meeting those missions?

Admiral ALLEN. I think we have about three or four classes of assets that are—will become increasingly at risk unless we can stabilize a 5-year capital investment plan, within the Administration, that addresses these.

Mr. Caldwell addressed our internal aids to navigation. These are the cutters that work on the Mississippi River, the Intracoastal Waterways. We usually call them construction tenders, pretty important to the movement of maritime traffic.

The icebreaking assets on the Great Lake, other than the MACKINAW, are getting old, as well; 140-foot icebreaking tugs are going to need some attention in the future. And on the East Coast, we have 65-foot icebreaking tugs that are used in and around the harbors and bays—Chesapeake Bay, New York, Hudson River, and so forth. Those are queued up in the future and are going to need to be addressed. And after that, I would raise our shore plant, our facilities, as an issue of concern.

My goal, as Commandant, was to raise that annual funding to \$100 million by the time that I left. We got there this year, although it’s not clear in the budget, because we received stimulus money that collectively gets you to that level. But, I think, in perpetuity, at a minimum, our shore plants has got to have \$100 mil-

lion a year. Now, we got there this year, with a combination of our appropriation and the stimulus package, but that needs to be sustained.

Senator CANTWELL. Thank you.

I definitely feel that some of these nonsecurity missions—I can't help but believe that the fact that the Coast—the Deepwater Program is—took so much time and attention, and the fact that it still, I believe, is not quite on track, that it takes time away from focusing on these other very mission-critical elements, and getting the time and space for people, even within the Administration or here on Capitol Hill, to understand their need. So, I look forward to how you plan to educate my colleagues and the Administration on those needs.

If I could—I know you've been here for more than an hour now, and we're going to try to get through a few more questions and then wrap up. So, I certainly appreciate your attention to these important budgetary issues. And we are going to be marking up the 1194, I think, tomorrow. So, I appreciate your helping us with some of those issues, and giving us input.

But, I want to go to the LORAN-C program, because it also is a budget question here. Congress has appropriated more than \$160 million since 1997 to modernize the long-range aid to navigation system and the sites to facilitate the transition to the new backup GPS. Now, the Administration is proposing to terminate the system and sell those sites for an estimated \$190 million over the next 5 years. What is the likely cost of decommissioning all these sites? And what would be the remediation?

Admiral ALLEN. We'd estimate, right now, that the cost to close these sites is about \$24 million, and then the remediation costs and closure costs, probably another \$140 million, for a total of \$164 million.

Senator CANTWELL. And so, how are you implementing—I mean, haven't we—didn't Congress appropriate more than \$160 million to modernize from LORAN-C to the enhanced LORAN system? I mean, isn't that money we basically sunk into the infrastructure, and how you're basically going to—

Admiral ALLEN. No, ma'am, that was never put toward enhanced LORAN. It was to upgrade the existing LORAN system from vacuum-tube technology to solid-state technology. We actually have stations operating in Alaska that still have huge vacuum tubes, the way we operated them in the late 1960s and 1970s, when I was the commanding officer of a LORAN station in Thailand at the end of the war.

Senator CANTWELL. So, you're saying none of the \$160 million that was spent is actually lost dollars; that's all on technology that's either—

Admiral ALLEN. It's a technology refresh from vacuum tube to solid state, yes—yes.

Senator CANTWELL. And it's totally—but, if we're getting rid of these sites, basically—are you getting rid of the technology? Are you moving the technology? How is this—

Admiral ALLEN. We had been struggling, for a number of years, to get the funding to upgrade the current LORAN-C system from vacuum tube to solid-state technology. That is independent of a de-

cision to take that system and move it to enhanced, or eLORAN, which will require another investment, as well, ma'am.

Senator CANTWELL. So, I just want to be clear—

Admiral ALLEN. Yes.

Senator CANTWELL.—you're not losing any of the \$160 million, because the—the budget now is an estimated \$190 million, because you're going to get rid of the LORAN-C sites. You've just told me, "Well, I think there's \$24 million in cost, and a total \$140 million"—

Admiral ALLEN. The upgrades from vacuum tube to solid state are sunk costs, ma'am, they will not be recovered. They were upgrades to a system that will be taken offline.

Senator CANTWELL. So, we did lose those costs. We lost that original investment.

Admiral ALLEN. The investment to move from vacuum tube to solid state will be lost, because there is no—we will not operate that system; eLORAN will be a different system, ma'am.

Senator CANTWELL. So, the eLORAN wasn't a—you didn't really upgrade the LORAN-C system to e, enhanced—

Admiral ALLEN. No, ma'am.

Senator CANTWELL. OK. Thank you very much.

Can you deploy the enhanced LORAN without the LORAN-C sites?

Admiral ALLEN. You could. It would probably change the cost profile, because you'd be looking at where you're going to locate them—towers, and so forth. We have already been operating in some of these locations, and there is a—it depends on the technology associated with the coverage and where the sites would have to be. The current LORAN-C sites are usable for eLORAN.

Senator CANTWELL. And will they be used, or—

Admiral ALLEN. There has been a division of the decision process here, first of all, to—not to continue to upgrade and support LORAN-C, because it is obsolete, and the decision whether or not LORAN-C will be succeeded by eLORAN as a backup to GPS has been created as a separate policy question in the Department, ma'am.

Senator CANTWELL. Then, how will you keep us informed about that process, or that oversight?

Admiral ALLEN. Right now, the requirements development for a potential backup to GPS has been taken as a policy issue in the Department of Homeland Security, and it's not a Coast Guard lead, at this point, ma'am.

Senator CANTWELL. And so, how do you interface with them on that?

Admiral ALLEN. We talk frequently. They are going to go through an alternatives analysis and see whether or not eLORAN is a suitable backup or there—if there's a backup needed for GPS. But, they're not going in with the presumption that it is LORAN-C, and that LORAN-C needs to be decommissioned because it's obsolete.

Senator CANTWELL. OK. We definitely want to have more oversight of that particular acquisition program.

Admiral ALLEN. I would just add, ma'am, I've had inquiries from our international partners. eLORAN, as a concept, is more advanced in Europe, at this point, than it is in the United States.

And we also operate LORAN chains, where some of our facilities are also used by foreign partners. Canada and Russia participate with some of our sites, because they have chains where we both use the same facility. And we are working issues with them at the same time, ma'am.

Senator CANTWELL. I'd like to turn to S. 1194. And do you support the reforms in the legislation, as it relates to the Coast Guard acquisition program?

Admiral ALLEN. Yes, ma'am.

Senator CANTWELL. Inclusively.

Admiral ALLEN. Yes, ma'am.

Senator CANTWELL. Thank you. S. 1194 also deals with fishing vessel safety, basically allowing vessel replacement in the American fisheries fleet. Do you think that that is a good idea, Admiral?

Admiral ALLEN. I think that any action that I or you or anybody can take on fishing vessel safety is sorely needed and will probably not be enough, and we need to move at best speed to get this industry much safer than it is now, ma'am.

Senator CANTWELL. And what about the head-and-gut fleet trawlers for groundfish, do you think that we—obviously last year the ALASKA RANGER sank, causing several deaths. Do you think that we ought to be applying that to the same—

Admiral ALLEN. Yes, ma'am. What has happened over the years—and I would say the head-and-gut fleet are one example of that, and we also have an issue with offshore supply vessels down in the Gulf, where vessels are put in a different use or get larger, and we almost create some kind of a quasi-class that's separate from the original intention of the regulations. And I think we need to be very diligent, moving forward, that we don't create what I would call a maverick class of vessel out there that can't be safely regulated.

Senator CANTWELL. Would you agree that we still have a long way to go in improving safety in the industry?

Admiral ALLEN. Yes, ma'am.

Senator CANTWELL. And so, how do you think we should best get a handle on that?

Admiral ALLEN. I think there are a couple of ways forward. First of all, we don't have an inspection or a validation of safety equipment and stability of these vessels prior to their operations or as a condition of operation. I believe that fishing vessels, let's say 50 feet and above, we ought to have some idea about how they're built and how they're constructed, by an independent third party. There ought to be stability attests associated with these vessels, based on size. We ought to have the ability to certify they've got the proper equipment, and can use it, before they leave the dock, things like that, ma'am.

Senator CANTWELL. Thank you. Admiral, thank you.

Last question, although—I think it's the last question—is in regards to the Law of the Sea. I know that both you and the Obama Administration are ardent supporters of the Law of the Sea Treaty, and—let's just start with, What impact signing the Law of the Seas Treaty will have on our Nation's sovereignty? Do you think that it would have any impact? Would it erode our sovereignty?

Admiral ALLEN. No, ma'am.

Senator CANTWELL. Are you aware, then, of any examples when not being a signatory to the Law of the Sea has damaged our national interests?

Admiral ALLEN. Well, right now we operate under authorities and jurisdictions that we have declared unilaterally, not because we're signatory to the Law of the Sea Treaty. One of them is the claim for a 12-mile territorial sea, which was increased from 3 miles to 12 miles under the Reagan Administration by Executive Order. Twelve-mile—the 12-mile territorial sea is established in the Law of the Sea Treaty, but since we have not ratified it, we're operating under those conditions by practice, not under the coverage of international law.

So, there could be times where we evoke what are generally regarded as international customary laws that are actually codified in the Law of the Sea Treaty, but we do not actually have the legal coverage, because we have not signed or ratified it.

Senator CANTWELL. And so, what would be some of the negative impacts on the Nation if we continue not to sign the Law of the Sea Treaty?

Admiral ALLEN. Well, the Law of the Sea Treaty guarantees freedom of navigation, and there is some misunderstanding that this somehow would restrict the movement of government vessels or warships. They're actually guaranteed passage through—innocent passage and passage through transit straits under the Law of the Sea Treaty. This would codify that, rather than us unilaterally asserting it as a matter of practice; we would have the support of international law on our behalf. And there are a number of straits in the world. The Bering Straits is one, the Torres Straits between East Timor and Australia is another one, and the Straits of Malaka, the Taiwan Straits, and so forth.

Senator CANTWELL. And what about the Arctic? How are we being impacted there by not continuing to be a signatory.

Admiral ALLEN. Under the Law of the Sea Treaty, a Nation can claim resources on the continental shelf, beyond the 200-mile limits of the exclusive economic zone, if it can demonstrate, through data acquisition and sediment samples and so forth, that that outcropping is an extension of the continental shelf. That is all done under a Commission that has been established under the Law of the Sea Treaty. And so, claims by Russia, Canada, Greenland, and so forth, will be made as signatories and partners in that treaty; they will go before a Commission and make their claims, which Russia will do very shortly. We will do that and assert it unilaterally and not have the backing of international law when we do that.

Senator CANTWELL. So, what happens if there's a dispute?

Admiral ALLEN. That's a very good question, ma'am, and it's—that one's probably above my paygrade.

Senator CANTWELL. OK.

Well, thank you very much, Admiral, for your attention to these issues this morning. Obviously, you can see that this Committee still has concerns, from a budget oversight perspective, on the Deepwater Program. And we are going to continue to ask questions about that.

I think perhaps that we need to have a hearing just on a full review of where we are. I know you're saying that you are doing a bottoms-up review of those acquisitions and dates, which I appreciate. I think, to correct previous problems, you have to get people who actually believe in the numbers they're proposing. So, I would prefer that the Coast Guard actually have numbers that it believes in, but, at the same time—and representative of the taxpayers—we have to have an accurate understanding about the Coast Guard following the operation acquisition manual and about the cost of these programs. And I think the questions that I've brought up this morning show a great deal of concern for the existing Coast Guard oversight, post—the lead-system integrator and self-certification process, still shows us very great concerns about some of these acquisitions. So, we'll look forward to discussing those in further detail with you.

Admiral ALLEN. Yes, ma'am. I think we've provided to your staff the status of these acquisition baseline reviews, and which ones are complete, which ones pend review by the review by the Department. And as far as gating to when you want to do that, I would suggest, once the Department's finished their review, we have—all that information to be made public—that would be a good time.

Senator CANTWELL. And—

Admiral ALLEN. We can give you the time element on that.
[The information referred to follows:]

Answer. The below table contains the APB status as of 10 August 2009.

APB Status (10 Aug 2009)

Project	Status
Approved	
National Security Cutter	APB (v1.0) approved 8 Dec 2008
Coastal Patrol Boat*	APB (v1.1) approved 11 Mar 1996
Medium Endurance Cutter MEP	APB (v2.1) approved 5 Dec 2008
Patrol Boat MEP	APB (v2.1) approved 4 Dec 2008
Response Boat Medium (RB-M)*	APB (v2.0) ¹ approved 20 Sep 2006
HC-144A Maritime Patrol Aircraft	APB (v1.0) approved 6 Feb 2009
HC-130J Fleet Introduction	APB (v1.0) approved 22 May 2009
HC-130H Conversion/Sustainment	APB (v1.0) approved 19 Jun 2009
HH-65 Conversion/Sustainment	APB (v1.0) approved 22 May 2009
Rescue 21*	APB (v6.0) ² approved 27 May 2008
In Progress	
Fast Response Cutter	APB (w 1.0) CG Component Acquisition Executive (CAE) approved 9 Feb 09; Under DHS Review
HH-60J Conversion	APB (1.0) CG CAE approved 4 Dec 08; Under DHS Review
Nationwide Automatic Identification System*	APB (v2.0) under review at USCG; APB (v1.0) approved 02 Jan 2007
C4ISR	APB v 1.0 Under r USCG Review

APB Status (10 Aug 2009)—Continued

Project	Status
Not Yet Required	
Offshore Patrol Cutter	Pre ADE-2 (3QFY10)
IDS Small Boats	Pre ADE-2 (2QFY10)
Unmanned Aircraft System	Pre-acquisition
DW Logistics/CG-LIMS	Pre ADE-2 (1QFY11)
IOC/C21*	Pre ADE-2 (1QFY10)

Notes:

* Denotes non-Deepwater Projects.

¹RB-M APB v2.0 approved 20 Sep 2006 correlates to RB-M APB Revision 1 (rev1). For consistency, all APB updates have been converted to "versions" vice "revisions." All subsequent updates will be referred to as "versions."

²Rescue 21 APB v6.0 approved 27 May 2008 correlates to Rescue 21 APB Revision 5 (rev5). For consistency, all APB updates have been converted to "versions" vice "revisions." All subsequent updates will be referred to as "versions."

Per DHS/Coast Guard acquisition policy, acquisitions that have not yet achieved Acquisition Decision Event (AOE) 2, e.g., approval to proceed to the obtain phase, are not required to have APBs.

Senator CANTWELL. Well, I appreciate that. And I think the sooner that we can get to accurate information that we can believe in—I mean, to say nothing of the disappointment of going from 17 to whatever it is now—24, 26—in and of itself is a major concern. But, we want to see the oversight of the Coast Guard's rules being applied to these acquisitions. And so, we look forward to having that hearing with you.

Admiral ALLEN. Thank you.

Senator CANTWELL. Thank you.

And thank you, Mr. Caldwell. This hearing—

Mr. CALDWELL. Thank you.

Senator CANTWELL.—is adjourned.

[Whereupon, at 11:54 a.m., the hearing was adjourned.]

A P P E N D I X

PREPARED STATEMENT OF HON. JOHN D. ROCKEFELLER IV,
U.S. SENATOR FROM WEST VIRGINIA

I want to welcome Admiral Allen and Mr. Caldwell, before the Committee. It is an honor to chair the Committee that oversees the brave and dedicated men and women of the United States Coast Guard.

The Coast Guard has served this Nation with distinction and honor throughout its nearly 220 year history. And last year was no exception as the Coast Guard continued to carry out its missions with great success, from rescuing more than 4,000 people—some in landlocked Midwestern states suffering from devastating floods—to seizing a record 167 metric tons of cocaine from the high seas destined for cities across the United States.

The Coast Guard successfully conducts safety and security inspections for more than 3,200 oil and chemical facilities around the country including those located in and around the Port of Huntington, the Nation's largest inland port in terms of tonnage and America's seventh largest port overall.

The Coast Guard protects our interests well beyond our borders in the battle against piracy off the Horn of Africa, taking the lead to improve the safety and security of all U.S. ships conducting commerce in that region.

And I am enormously thankful for the Coast Guard's meticulous maintenance of nearly 800 buoys and other navigational aids throughout West Virginia's waterways, helping to keep over 63,000 registered boaters safe.

The American people have largely come to expect an unmatched level of excellence and professionalism from the Coast Guard and its unsung heroes both at home and abroad. And they deserve all the support we can give them.

The Coast Guard is undergoing sweeping transformations including the continued recapitalization of its fleet of surface vessels and aircraft through the Deepwater program. It also continues to make significant changes to its organizational structure and business practices through its Modernization plan.

I support efforts aimed at improving the Coast Guard, but I also believe every decision and action should be transparent, accountable and based on thorough analysis and sound business strategies.

On June 4, 2009, Senator Cantwell introduced legislation, S. 1194, the Coast Guard Authorization Act for Fiscal Years 2010 and 2011, designed to strengthen management and oversight of the Coast Guard's Deepwater program. This bipartisan legislation—cosponsored by Senator Snowe, Senator Hutchison, and me—has as its centerpiece a major acquisition reform title building on Senator Cantwell's Integrated Deepwater Program Reform Act (S. 924) which the Senate passed in the 110th Congress. Among other things, the acquisition reform title of S. 1194:

- Addresses the need for acquisition reform on a comprehensive, service-wide basis;
- Codifies the phases and requirements of the Coast Guard's acquisitions processes; and
- Prohibits the use of a lead systems integrator except in limited circumstances where they will be phased out by 2012.

The bill also includes important provisions that will help the Coast Guard complete its Modernization plan which would eliminate the existing geographically-based command and replace it with a more centralized structure.

As your Chairman, I want to ensure that the Coast Guard is properly positioned and has the resources it needs for ultimate success. To that end, I will ask you to provide the Committee an update this morning on the status of the Deepwater program, your progress in Modernization, and the challenges the Coast Guard is facing in managing its aging "legacy" cutters and deteriorating shore facilities including personnel housing.

Admiral Allen, I look forward to your testimony and learning more about the Coast Guard's plans to address these challenges under your leadership. I am also looking forward to Mr. Caldwell's testimony which I hope will provide additional perspective to these and other issues.

PREPARED STATEMENT OF THE FLEET RESERVE ASSOCIATION

The FRA

The Fleet Reserve Association (FRA) is the oldest and largest enlisted organization serving active duty, Reserves, retired and veterans of the Navy, Marine Corps, and Coast Guard. It is Congressionally Chartered, recognized by the Department of Veterans' Affairs (VA) as an accrediting Veteran Service Organization (VSO) for claim representation and entrusted to serve all veterans who seek its help. In 2007, FRA was selected for full membership on the National Veterans' Day Committee.

FRA was established in 1924 and its name is derived from the Navy's program for personnel transferring to the Fleet Reserve or Fleet Marine Corps Reserve after 20 or more years of active duty, but less than 30 years for retirement purposes. During the required period of service in the Fleet Reserve, assigned personnel earn retainer pay and are subject to recall by the Secretary of the Navy.

FRA's mission is to act as the premier "watch dog" organization on Capitol Hill focused on maintaining and improving benefits and the quality of life for Sea Service personnel and their families. The Association also sponsors various recognition programs, a National Americanism Essay Contest, awards over \$100,000 in scholarships annually and provides disaster and/or relief to shipmates and others in distress.

The Association is also a founding member of The Military Coalition (TMC), a 34-member consortium of military and veteran's organizations. FRA hosts most TMC meetings and members of its staff serve in a number of TMC leadership roles.

FRA hosts the annual U.S. Coast Guard Caucus Breakfast on Capitol Hill each year to recognize Caucus members and increase awareness about the Service's various missions and the work of Coast Guard personnel.

FRA celebrated 84 years of service in November 2008. For over eight decades, dedication to its members has resulted in legislation enhancing quality of life programs for Sea Services personnel, other members of the Uniformed Services plus their families and survivors, while protecting their rights and privileges. CHAMPUS, now TRICARE, was an initiative of FRA, as was the Uniformed Services Survivor Benefit Plan (USSBP). More recently, FRA led the way in reforming the REDUX Retirement Plan, obtaining targeted pay increases for mid-level enlisted personnel, and sea pay for junior enlisted sailors. FRA also played a leading role in advocating recently enacted predatory lending protections for service members and their dependents.

FRA's motto is: "Loyalty, Protection, and Service."

Certification of Non-receipt of Federal Funds

Pursuant to the requirements of House Rule XI, the Fleet Reserve Association has not received any Federal grant or contract during the current Fiscal Year or either of the two previous Fiscal Years.

Introduction

Madame Chairwoman and distinguished Members of the Subcommittee, the Fleet Reserve Association (FRA) appreciates the opportunity to present its recommendations on the United States Coast Guard's FY 2010 Budget.

Prior to addressing these issues, FRA wishes to thank the Congress for the generous pay, health care and benefit enhancements enacted in recent years. Improved wounded warrior transition and support services are very important as are other benefit improvements which are essential to maintaining the all-volunteer force and military readiness.

Coast Guard parity with DOD personnel programs remains a high priority for FRA, and the Association notes continuing challenges within the Coast Guard to adequately fund previously authorized active and Reserve people programs.

Coast Guard Budget

The FY 2010 Coast Guard Budget of \$9.9 billion is only slightly above the current year's budget of \$9.36 billion. The proposed budget represents only a 6-percent increase and FRA believes this is woefully inadequate to meet the Coast Guard's needs which include increased end strength and increased funding for family housing that on average is more than 40 years old. Adequate end strength and improved

family housing are just as important as new ships and critical for retention and readiness.

U.S. Coast Guard Authorization

FRA supports the U.S. Coast Guard Authorization bill S. 1194, sponsored by the Chairwoman Cantwell. Similar legislation stalled in the last Session of Congress, and FRA believes authorization legislation is critical for congressional budgeting and effective oversight of the Coast Guard and other Federal agencies.

The legislation addresses several important personnel related issues, including the retention of emergency leave for personnel who would otherwise be required to forfeit leave to support of major disasters; legal assistance for qualified Coast Guard Reservists on a par with all similarly situated DOD Reservists; and reimbursement for certain medical-related travel expenses when a service member is stationed on an INCONUS island and his/her family member is referred to a specialty care provider off-island.

The bill authorizes USCG end strength of nearly 50,000 for FY2010 and nearly 52,500 for FY2011. It also makes Coast Guard retirees eligible for the Armed Forces Retirement Home (AFRH). The bill also changes the vice commandant position from a 3-star position to a 4-star position, which will better align the Coast Guard with the other armed forces.

Although FRA supports the Chairwoman's authorization bill, more needs to be done. The Association also supports "The Coast Guard Service Member Benefits Improvements Act" (H.R. 2901) sponsored by Rep. Frank Lobiondo, which seeks to improve the quality of life for members of the U.S. Coast Guard (USCG) and their families. Housing authorities, child development centers, and other issues addressed in this legislation are essential to morale, family readiness and service-wide Coast Guard readiness.

End Strength

FRA welcomes the increased active duty end strength for the Coast Guard provided for in the Authorization legislation. According to the 2009 U.S. Coast Guard Posture Statement, the Coast Guard end strength is currently at 41,873 active duty, 8,100 Reservists, 7,000 civilian employees, and 34,000 volunteer Auxiliarists and has been at that level for several years even though the Coast Guard has been tasked with additional responsibilities in recent years. The Coast Guard took over the National Capitol Region Air Defense (NCRAD) mission in September of 2006, and there have been increased demands with the passage of "The Coast Guard and Maritime Transportation Act of 2006." The Association believes that even a modest increase to active duty end strength in FY 2010 would immediately translate to a higher level of mission effectiveness. FRA supports adequate manpower to meet growing operational requirements and notes there are annual limits to increasing Coast Guard end strength because of limited recruiting and training facilities and resources. According to Admiral Thad Allen, Commandant of the Coast Guard, in his 2008 State of the Coast Guard Address, "There has been no material change in the Coast Guard's end strength in the past 50 years despite more demands and the current era of persistent challenges."

Pay

Congress has for the past few years improved compensation that, in turn, enhanced the recruitment and retention of quality personnel in an all-volunteer environment. Adequate and targeted pay increases for middle grade and senior petty and noncommissioned officers have contributed to improved retention, morale and readiness. More than 50 percent of the uniformed service community is married and satisfactory compensation helps relieve much of the tension brought on by demanding operational tempos.

For FY 2010, the Administration recommended a 2.9 percent across-the-board basic military pay increase which reflects Employment Cost Index (ECI) data. FRA strongly supports pay increases that are at least 0.5 percent above the ECI (3.4 percent in FY 2010), as provided for in both the House and Senate FY 2010 Defense Authorization bills, to further close the gap between civilian and uniform services pay. Previous annual 0.5 percent higher-than-ECI raises reduced the pay gap with the private sector from 13.5 percent in FY 1999 to 2.9 percent today.

Assuming authorization by the Armed Services Committees, FRA urges the Subcommittee to authorize an annual active duty pay increases that are at least 0.5 percent above the ECI, to help close the pay gap between active duty and private sector pay and ensure adequate appropriations to fund these increases in the Coast Guard's budget.

Health Care

The FRA strongly supports adequate funding for the Coast Guard Health Care Fund (HCF) in order to meet readiness needs, fully fund TRICARE, and improve access for all beneficiaries regardless of age, status or location.

Eroding benefits for career service can only undermine long-term retention and readiness. The men and women serving in the Coast Guard today are very conscious of actions by Congress affecting those who preceded them in service. One reason Congress enacted TRICARE-for-Life (TFL) in 2001 is that the Joint Chiefs of Staff at that time said that inadequate retiree health care was affecting attitudes among active duty troops. The FRA believes strongly that the Defense Department has not sufficiently investigated and implemented other options to make TRICARE more cost-efficient without shifting costs to beneficiaries, and strongly supports bipartisan legislation sponsored by Representatives Chet Edwards' and Walter Jones' ("The Military Retirees Health Care Protection Act" H.R. 816).

Due in large part to the unique range of geographic locations to which they are assigned, Coast Guard personnel and their families often struggle to find medical providers who accept TRICARE beneficiaries. While implementation of TRICARE Prime Remote alleviated many of these problems, costs associated with the standard benefit and low reimbursement rates can make finding a health care provider a daunting task in many areas. Coast Guard personnel who choose to receive care at DOD Military Treatment Facilities (MTFs) may be required to travel long distances for care. FRA is concerned that low reimbursement rates will continue to make health care access a significant challenge for Coast Guard personnel stationed in remote locations.

The Association appreciates that for the first time in 4 years the budget does not request TRICARE fee increases for retirees under age 65. FRA urges the Subcommittee to authorize full funding for health care benefits to ensure access for all beneficiaries, and support "The Military Retirees Health Care Protection Act" (H.R. 816).

Reserve Issues

Reserve Health Care—FRA is grateful to Congress for allowing Reservists to purchase TRICARE Reserve Select (TRS) coverage per the FY 2007 National Defense Authorization Act, (NDAA). We also appreciate the provision in the FY 2009 NDAA that mandates recalculation of TRICARE Reserve Select (TRS) premium to reflect actual costs. The Association believes it should be a priority to restrain health cost increases for TRICARE Reserve Select members who are increasingly being asked to serve their country.

FRA notes that TRICARE Reserve Select for gray area retirees is something on the minds of CG Reservists and this may become a recruiting and retention issue in the future as members realize that buying into TRICARE during their service time could potentially leave them without coverage in the future. FRA supports authorization of funding that allows Reserve personnel and their families to participate in TRICARE.

Reserve Early Retirement—Unfortunately the effective date of a key provision in the FY 2008 NDAA, which reduces the Reserve retirement age by 3 months for each cumulative 90-days ordered to active duty is effective upon the enactment of the legislation and NOT retroactive to 7 October 2001. This issue is addressed in the "The National Guardsmen and Reservists Parity for Patriots Act" (H.R. 208), sponsored by Rep. Joe Wilson (S.C.), and companion legislation in the Senate (S. 644) is sponsored by Senator Saxby Chambliss (Ga.). FRA urges this Subcommittee to ensure that Coast Guard Reservists are included in this program.

Reserve End Strength—While improving active duty end strength, the Authorization bill does not address Reserve end strength. The Association notes that the USCGR is authorized an end strength of 10,000, but funded for only 8,100. FRA believes that the Coast Guard cannot sustain current operational levels without the funding necessary to increase end strength over the next few years.

Academic Protection for Reservists—There are cases where Reservists, attending higher institutions of learning, called to active duty in the defense of the Nation and its citizens, lose credits or pre-paid tuition costs because they did not complete the course of instruction. FRA believes Congress should adopt legislation requiring colleges and universities to retain and reactivate the credits and prepaid costs for the Reservists upon demobilization.

Housing

The Coast Guard currently owns 4,000 family homes, at an average age of 40+ years, with an extensive maintenance and recapitalization project backlog. The costs are compounding and funds are not available to keep pace with essential maintenance.

nance and replacement requirements. FRA supports authorization of Coast Guard initiatives to improve family housing. DOD has privatized approximately 85 percent of their homes using public-private venture (PPV) authorities, however, the Coast Guard has not been able to leverage the same equity and needs authorization and adequate resources to do so.

FRA urges reform of housing standards that inequitably depress Base Allowance for Housing (BAH) rates for mid-to-senior enlisted members. The vast majority of Coast Guard personnel and their families use private housing and collect BAH. FRA believes that there is an urgent need to update the standards used to establish housing allowance rates. That is why the Association is supporting the study of BAH rates provided for in the House Defense Authorization bill (H.R. 2647). Only married E-9s now qualify for BAH based on local single family home costs. At a minimum, the BAH standard for a single-family detached house should be extended over several years to qualifying service members beginning in grade E-8 and subsequently to grade E-7 and below as resources allow. If authorized by the Armed Services Committees, FRA strongly urges commensurate authorization for the Coast Guard.

Permanent Change of Station (PCS) Allowances

The Association urges this Subcommittee to authorize an upgrade to permanent change-of-station (PCS) allowances to better reflect the expenses Coast Guard members are forced to incur while complying with government-directed relocation orders. And if authorized by the Armed Services Committees, FRA urges authorization of these enhancements for the Coast Guard.

Shipment of POVs—FRA supports increasing the number of privately owned vehicles (POV) a military family can ship during a PCS from one vehicle to two for duty assignments in Alaska, Hawaii and U.S. Territories, that is addressed in the House version of the FY 2010 Defense Authorization bill (HR 2647). This is an issue of particular concern to Coast Guard personnel stationed in these locations since many married personnel have spouses who need transportation to work and to meet family obligations.

Weight Allowances—FRA also recommends modifying PCS household goods weight allowance tables for personnel in pay grades E-7, E-8 and E-9 to coincide with allowances for officers in grades O-4, O-5, and O-6, respectively. These allowances would more accurately reflect the normal accumulation of household goods over the course of a career.

Dislocation Allowance—Moving household goods on government orders can be costly. Active duty personnel endure a number of PCS moves during a career in uniform. Each move requires additional expenses for relocating and establishing a new home.

Retiring personnel are not currently entitled to a dislocation allowance despite the fact that his or her orders can be construed as a permanent change of station that reflect a management decision to order the member's retirement or transfer. Assuming the member is moving to a new location, the retiring Coast Guardsman will face the same expenses as if transferring to a new duty station.

FRA believes a dislocation allowance should be authorized for personnel retiring from active duty. After serving 20 or more arduous years of service, retiring personnel moving household locations in excess of 50 miles from their final duty station should be entitled to a dislocation allowance equal to at least 1 month of basic pay.

Child Care

The availability and accessibility of affordable child care is a very important quality of life issue for Coast Guard personnel and their families. Coast Guard child care centers operate under the same standards as similar DOD facilities. The Coast Guard's child care program includes operating nine (9) child development centers (CDC), a child care subsidy program allowing members affordable access to private sector child care centers, and whenever possible access to DOD CDCs.

High-cost child care can often be attributed to the fact that most of the unit locations preclude access to DOD and Coast Guard CDCs. The Coast Guard continues to explore ways to assist with child care costs to members in remote, high cost areas, and FRA stresses the importance of continued authorization plus updates and enhancements of this important program.

Public/Private Ventures

Without authorizing legislation the Coast Guard has been unable to enter into Public Private Ventures (PPV) leaving over 12,000 Coast Guard members and their families living in aged housing, some of which is substandard. These older houses are expensive to maintain and have recurrent maintenance issues. The Coast Guard PPV authorization was allowed to lapse in 2007 and the Service now owns more

than 4,000 family houses that are 40 years or older. In contrast DOD has 85 percent of its family housing as part of the PPV program. Before the PPV lapse, the Coast Guard partnered with DOD in a joint privatization housing project in Hawaii. To address these challenges, FRA urges the Subcommittee to (re)authorize the PPV program for the Coast Guard.

Repeal REDUX

Ten years ago FRA led efforts to repeal the 1986 REDUX retirement program formula which led to enactment of legislation authorizing personnel choosing that retirement program option to receive a \$30,000 career status bonus at the 15-year career mark. Since then, many enlisted personnel have chosen this option and accepted future capped retired pay cost of living adjustments. Today the average acceptance rate among the services is approximately 25 percent. While each individual's career situation is unique and service members are certainly entitled to make this choice, it's important to note that for most this is probably a very bad financial decision since the value of the \$30,000 bonus is significantly less than it was at the time of enactment. And in most instances individuals selecting this option are in fact forfeiting significant sums of potential retired pay over their lifetimes. FRA therefore believes that it's time to repeal the REDUX retirement program.

Education Benefits

The Association is grateful for the enactment of the Post 9/11/2001 GI Bill last year that provides a new benefit package for service members who served after 9/11/2001. Unfortunately benefits for Reservists who served before 9/11/2001 are authorized under the separate Reserve Montgomery GI Bill program and are only 25 percent of the benefits provided for active duty participants despite the intended 47 to 50 percent level. FRA urges integration of active and Reserve MGIB programs to ensure proportionality is maintained in any future benefit changes.

Family Readiness

FRA strongly supports Coast Guard family readiness programs and authorization of adequate resources to sustain and expand them. The Coast Guard Work-Life programs provide a range of support programs designed to assist members and their families with the rigors and challenges of military life. Service delivery is difficult due to the geographic location of Coast Guard families.

Authorization and funding are needed to support new initiatives to keep pace with DOD sponsored programs such as family member elder-care, sexual assault prevention and response program, personal financial management advisors, and dedicated field specialists supporting increasing demands that can not be implemented without additional funding and staff.

It is often said that the military recruits the service member, but retains the family. As our Nation asks more from its all-volunteer force, at least 50 percent of whom are married, family support has never more important.

As stated by Master Chief Petty Officer of the Coast Guard Skip Bowen in an FRA Today article, "Family readiness in the Coast Guard is unique to the other services. For the other branches of the military, family readiness is more geared toward a deployment. While the Coast Guard does have units that deploy in the same manner that DOD services deploy, the main difference is that the Coast Guard is deployed 100 percent of the time."

He also referenced the Coast Guard Ombudsman program which is directly related to families. Volunteers provide much needed support and our military spouses can benefit from their services if they are at their home duty station and their loved one is at sea. While some may think of the Coast Guard as a "home-based operation," many Coast Guardsmen deploy from where they live and spend significant time away from home—anywhere from 185 to 230 days out of the year. The Ombudsmen are there to provide information for the spouses, and the spouses need to understand how the program works.

Exchange/MWR Programs

The Coast Guard relies heavily on vital non-pay benefit programs to provide for the health and well-being of its personnel and their dependents, and to ensure good morale as well as mission readiness.

The Coast Guard's Morale, Welfare, and Recreation (MWR) program and the Coast Guard Exchange System (CGES) provide important services to members and their families. Proceeds from CGES sales generate funds for MWR programs including retail stores, fitness centers, gymnasiums, libraries and child development centers. All indirectly support the Coast Guard's mission while helping ease the challenges and rigors of often demanding duty assignments.

The Coast Guard operates fitness centers, bowling centers, picnic areas, movie theaters, community centers, and youth programs that without the authorization of adequate funding will be degraded. New initiatives to keep pace with DOD programs such as Boy's and Girl's Clubs cannot be implemented without additional funding. In addition, second destination shipping funding is needed to provide goods and services without burdening the service member with increased costs. Continuing budget pressures threaten to degrade this important and needed benefit for all Coast Guard personnel.

FRA asks that this Subcommittee, the full Committee and its counterparts in the House to provide continued authorization for funding for CGES and MWR programs to ensure the well-being and morale of all Coast Guard personnel and their families.

Conclusion

Madam Chairwoman, the FRA appreciates the opportunity to submit its views for the record on pay, health care and other programs important to Coast Guard personnel. The Association salutes you and members of your distinguished Subcommittee for effective oversight of our Nation's all-important fifth Armed Force, and for your untiring commitment to the men and women serving so proudly in our magnificent United States Coast Guard.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. JOHN D. ROCKEFELLER IV TO ADMIRAL THAD W. ALLEN

Question 1. I have been told that a high level official at the Department of Homeland Security recently had the opportunity to tour a Coast Guard cutter in South Carolina, and was somewhat surprised at its condition. I'm not sure of the details, but I'm guessing it was probably either the High Endurance Cutter GALLATIN or High Endurance Cutter DALLAS, both of which I understand are currently in emergency dry dock for repairs. I understand these vessels are over 40 years old, and have already had one service life extension. Given all this, I was very surprised to learn that the Administration, for whatever reason, did not request any funding for sustainment of High Endurance Cutters in Fiscal Year 2010. Why was funding for this purpose not included in the Administration budget request?

Answer. The President's FY 2010 budget includes \$200 million in base funding for Coast Guard vessel depot level maintenance. The Coast Guard will continue to apply depot level maintenance funding toward its most critical maintenance needs including the WHEC fleet.

Additionally, the American Recovery and Reinvestment Act and Overseas Contingency Operations funding includes a total of \$20 million to support the sustainment of the HEC fleet.

Question 2. In November 2008 a group of terrorists attacked multiple targets in Mumbai. The terrorists are believed to have entered the area in a small boat. In regard to small boat security, what strategy does the Coast Guard employ to prevent domestic terrorist attacks via small boats?

Answer. The Coast Guard's strategy for Ports, Waterways, and Coastal Security in general includes three primary elements:

- Maritime Security and Response Operations;
- Maritime Domain Awareness; and
- An effective Maritime Security Regime

A portion of each element is aimed at deterring, detecting, and interdicting terrorist attacks via small boats.

Maritime Security and Response Operations: Under the Coast Guard's Operation Neptune Shield (ONS), armed waterborne, airborne, and shoreside surveillance patrols provide a visible deterrent presence that can also detect and interdict terrorist attacks via small boats. ONS also requires security boardings and inspections of small boats and establishment of fixed security zones around maritime critical infrastructure and key resources to help deter and detect. Additionally, ONS requires armed escorts of selected high capacity passenger vessels, ships carrying certain dangerous cargos, and high value naval vessels, providing a measure of protection from small boat attacks.

Maritime Domain Awareness: Coast Guard waterborne, airborne and shoreside surveillance patrols collect data, information, and intelligence on small vessel activity and are alert for anomalous behavior. In each Coast Guard Sector, the intelligence staff maintains a strong network with other Federal, state, local, and private partners. Many ports have surveillance cameras and radars with other sensor systems that monitor key port areas for suspicious behavior by small vessels. The Cap-

tain of the Port (COTP) works through the respective Area Maritime Security Committee (AMSC) to educate the maritime community on reporting suspicious activity. America's Waterway Watch provides a single nationwide phone number that the public can use to report suspicious marine behavior.

Maritime Security Regime: An effective Maritime Security Regime deters and protects against small boat attacks. The Coast Guard enforces regulations detailed in Title 33 Code of Federal Regulations 6 and 106 to provide mechanisms to control port access, movement, and activity. Vessels greater than 300 gross tons are regulated under Title 33 Code of Federal Regulations 160.202 and 203, and must submit a notice of arrival 96 hours before entering a U.S. port. The Coast Guard, in concert with CBP, uses this time to vet the vessel's crew, passengers, and cargo prior to entry. Should vetting indicate a threat to the security of the port, the COTP may initiate control measures, which would include boarding and examining the vessel, to ensure risk is minimized by the vessel's entry into port. The Maritime Security Transportation Act (MTSA) of 2002 requires each AMSC to develop and exercise an Area Maritime Security Plan to deter, prevent, and respond to various terrorist threats including small vessels. Each MTSA-regulated vessel and facility must develop security plans that are approved by the Coast Guard.

In addition, the Coast Guard worked in conjunction with other DHS component agencies to develop the DHS *Small Vessel Security Strategy*. Although approved in April 2008, it considered and was designed to counter various small vessel threats including an attack such as occurred in Mumbai.

Question 3. The Coast Guard has the finest professional mariners in the world, and in the event of a GPS outage they obviously would be able to safely return to port. However, given the heavy reliance on GPS by Coast Guard systems, including communications, navigation, and identification systems, how has the Coast Guard ensured it can effectively execute its mission during a GPS outage? As examples, how would the Coast Guard coordinate and execute large-scale search and rescue missions, place navigational buoys, and maintain maritime domain awareness under such circumstances?

Answer. While the Coast Guard's efficiency could potentially be impacted during shorter outages of GPS, the Coast Guard would use a variety of other systems, tools, and/or processes to navigate and execute its missions including inertial navigation systems in aircraft and fathometers on vessels, gyrocompasses, radars, visual aids to navigation, visual bearings, radio direction finders, celestial and terrestrial navigation, and dead-reckoning.

Question 4. The Senate recently passed an amended version of H.R. 2892, the Department of Homeland Security Appropriations Act for Fiscal Year 2010. If enacted into law, this bill would eliminate funding for operation of the LORAN-C system after January 4, 2010, at which time the Coast Guard would be required to decommission the LORAN-C infrastructure and sell any real or personal property used for the system. Will terminating operation of the LORAN-C signal on January 4, 2010, adversely impact the safety of maritime navigation?

Answer. No. There is minimal reliance on LORAN-C as a navigational aid and increasingly fewer vessels are outfitted with LORAN-C. Major marine equipment manufacturers do not offer LORAN-C receivers as part of their product lines. Of more than 5,000 ships sampled earlier this year, less than 1 percent used LORAN as a position fixing source for their automatic identification system. LORAN-C is not a viable systemic backup for GPS. A competent mariner operating a vessel on navigable waters of the United States will be able to fix his or her position and determine a safe course to steer without LORAN-C.

Question 5. Would infrastructure particularly real property such as that used to operate LORAN-C be needed in order to deploy a new back-up to GPS?

Answer. The Department of Homeland Security is determining whether a systemic backup to GPS is needed and, if so, what that backup should be. Depending on the outcome of the analysis, some LORAN-C real property and buildings could be used as part of the eLORAN system, although significant new investment would be required at some sites to address deteriorating conditions. Under the current termination plan, LORAN-C key real property and infrastructure would remain available until a decision is made regarding the need for and type of systemic back-up system.

Question 6. Would such real property or other infrastructure be needed, either in whole or in part, in order to deploy eLORAN as a new back-up to GPS?

Answer. Much of the LORAN-C infrastructure could be used to deploy eLORAN, although the physical condition of some of the existing infrastructure would require significant rehabilitation. For example, two sites in Alaska are in such poor condition that they would have to be razed and rebuilt. To establish complete eLORAN

coverage of the contiguous United States, three additional sites would need to be established. Additionally, in its potential role as a backup for critical infrastructure, site security is a more vital factor for eLORAN than LORAN-C; thus LORAN-C sites that are not located on secured government property may not meet eLORAN requirements and new sites might have to be built.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. MARIA CANTWELL TO
ADMIRAL THAD W. ALLEN

Question 1. While the Coast Guard's budget has increased since 2003, the long-term budget outlook for the agency remains uncertain. Given this uncertainty, how is the Coast Guard ensuring that limited resources are utilized most effectively to successfully manage existing and anticipated future challenges and needs?

Answer. As always, the Coast Guard optimizes its resources using risk based decisionmaking to assure statutory obligations and agency priorities are met.

Question 2. To assess its mission-performance for Fiscal Year 2008, the Coast Guard introduced a number of new performance measures and targets. Rather than use a single measure for each of its 11 statutory missions as in prior years, the Coast Guard reported on a total of 21 performance measures. What challenges, if any, has the Coast Guard encountered in the implementation of these performance measures?

Answer. The Coast Guard values performance measurement and utilizes performance management business practices to assess program performance and its value to the U.S. taxpayer. In previous years, the Coast Guard only reported outcome measures for each statutory mission. To communicate 2008 Coast Guard performance, the service created a separate Performance Report which facilitated the reporting of additional performance measures. These additional measures were previously tracked and utilized by Coast Guard Mission Managers to assess mission performance but were not reported in previous years. The challenge with implementation of performance measures is capturing the full value of the Coast Guard's Safety, Stewardship, and Security roles and how each role contributes across the multi-mission spectrum of the eleven (homeland and non-homeland security) statutory missions. Overall, Coast Guard performance is much more than the sum of its 11 missions.

Question 3. How have these measures better captured the breadth of key mission activities?

Answer. By reporting additional measures the Coast Guard fulfills its responsibilities under the Government Performance and Results Act (GPRA) while also demonstrating the organizations commitment to performance management and program evaluation. Moreover, the reporting of additional measures helps illustrate the ways the Coast Guard uses its available resources to meet its mission requirements and serve the Nation.

Question 4. The Administration's Fiscal Year 2010 budget proposal included a request for 41,403 military positions' a decrease of 24 positions below the 2009 budget. Given this aggregate loss of personnel, which seems to come at the same time the Coast Guard is experiencing increasing workload and responsibilities; will the service be able to fulfill its obligations related to new initiatives and regulations, such as tow boat inspections?

Answer. Taking into account all Coast Guard appropriations including Acquisitions, Construction and Improvement appropriation, there is an overall increase of 17 military positions. The FY 2010 President's request includes program increases to Financial Management Oversight and enhanced Maritime Safety and Security and the associated increase of military and civilian positions. Additionally, the FY 2010 President's request includes the termination of LORAN-C which results in a management and technology efficiency of 293 full time positions.

Question 5. When I asked you whether the anticipated delivery date for all Deepwater assets is still 2027, you responded that as the Coast Guard takes each one of these platforms and independently and openly competes it, you "have the opportunity to maybe move that back to the left." Does this mean you anticipate the delivery date for all Deepwater assets may occur earlier than 2027 on a project timeline?

Answer. The Coast Guard is working continuously to balance mission demands, resources, and risk. In an effort to improve project management, oversight and transparency, the Coast Guard is in the process of disaggregating the Deepwater Program Acquisition Program Baseline (APB) into stand-alone individual asset APBs. This effort, in addition to the Coast Guard's assumption of the Deepwater

systems integrator role, will permit greater flexibility to accelerate anticipated delivery dates. Contracting, construction, and delivery of assets can now be phased more appropriately to allow for the concurrent purchase of ships, aircraft and shore-side systems.

Ultimately, the ability to deliver all Deepwater assets by 2027 is largely dependent upon annual funding that is stable and consistent with the out-year funding profile upon which the cost estimate for each project's APB is based.

Question 6. As part of its systems integration responsibilities, the Coast Guard has undertaken a fundamental reassessment of the capabilities, number, and mix of assets it needs. What is the current status of this analysis?

Answer. The Coast Guard is currently conducting performance sensitivity analysis in order to help inform offshore surface and aviation operational requirements. These analyses are part of the Coast Guard's ongoing major system acquisition efforts.

Question 7. Is there a possibility that the Coast Guard will acquire fewer assets in order to contain the growing cost of the Deepwater acquisition program?

Answer. The Coast Guard is working continuously to balance mission demands, resources, and risk. As the Coast Guard continues to disaggregate the Deepwater Program Acquisition Program Baseline (APB) into stand-alone individual asset APBs, the total acquisition cost (TAC) for each asset will be compared to the TAC within the total Deepwater cost estimate. Where the revised TAC of the individual asset APBs is greater than the Deepwater cost estimate, possible trade-offs will be examined, such as reducing requirements or the number of assets to be acquired. This type of "trade space" analysis is a common practice in military acquisition. Until all APBs are revised and a proper risk analysis is conducted, taking into account capability gaps and the out-year budget picture, it is premature to articulate possible changes to the Coast Guard's acquisition strategy.

Question 8. The Coast Guard is currently building the capacity of its own acquisition workforce. During this building phase, to what extent is the Coast Guard continuing to rely on contractor support in critical roles? What are the Coast Guard's plans for moving away from this reliance on contractors?

Answer. Coast Guard acquisition is accomplished by Coast Guard personnel (civilian and military), Other Government Agency (OGA) personnel, and support contractors. Acquisition support contractors (private contractors) provide assistance with non-inherently governmental work in the areas of project management, logistics, engineering, administration, and business analysis, when the nature of the task is best accomplished by support contractors (e.g., best value to the government, short duration needs).

The Coast Guard continues to implement its strategic goal of assuming the Deepwater Program lead system integrator from Integrated Coast Guard System (ICGS). Using the framework provided by the Acquisition Directorate's *Blueprint for Continuous Improvement*, the fourth annual update to the *Blueprint for Acquisition Reform*, and the Acquisition Human Capital Strategic Plan 2009 as a guide, the Coast Guard will continue to focus on the professional development and certification of its acquisition workforce and technical authorities. As the expertise of the workforce grows and the transition to Deepwater Program lead system integrator is completed, the Service's reliance on support contractors will decrease. As the transition continues and ICGS involvement is reduced, the number of Coast Guard managed resources will increase as the Coast Guard takes over greater responsibility.

Question 9. According to GAO, the Coast Guard did not meet its stated goal of complete adherence to the management process contained in its Major Systems Acquisition Manual (MSAM) by the 2nd Quarter of FY2009. What steps have been taken to expand the application of this process to all Deepwater assets?

Answer. All Coast Guard major acquisition projects, including Deepwater projects, are required to be "MSAM compliant" prior to their next scheduled Acquisition Decision Event (ADE). ADEs are milestone-driven and act as project management control gates that cannot be passed until all plans and documents are completed and required exit criteria have been satisfied. The Coast Guard continues to monitor the initial schedule for completing required plans and documents for 19 acquisitions. The planned dates for document/plan approval of several projects are beyond the second quarter of Fiscal Year 2009, but prior to their next ADE. Progress toward completing required plans and documents are tracked and reported quarterly.

Question 10. Evaluation of the Coast Guard's experience with Deepwater can provide valuable lessons for the future. How is the Coast Guard measuring its progress in addressing acquisition reforms? What metrics is the Coast Guard using to determine what changes are needed, and to ensure that success is achieved?

Answer. The Coast Guard uses the *Blueprint for Continuous Improvement, Version 4.0*, formerly known as the *Blueprint for Acquisition Reform*, to measure its progress in addressing acquisition improvement. The *Blueprint for Continuous Improvement*, the Coast Guard's multi-year strategic plan outlining the vision of the acquisition enterprise for the future, explains how the Coast Guard will accomplish continuous improvement and provides measurable outcomes for evaluating the organization's progress toward meeting its annual goals.

The Coast Guard uses many sources of information to monitor organizational health and identify areas needing change or improvement. These sources form a framework of metrics and reports which support the acquisition enterprise. The *Blueprint's* action plan is a culmination of input from many sources and includes action items in the areas of organizational alignment and leadership, policies and processes, human capital and information management and stewardship, measurable outcomes, lead points of contact (POCs), and planned completion dates. The action items are tracked and completion of items is thoroughly documented. The Assistant Commandant for Acquisition is briefed at least quarterly on the implementation status of the actions and *Blueprint* completion metrics are included in multiple reports. Metrics to gauge progress and overall effect on acquisition program effectiveness are measured by the implementation of this action plan. The *Blueprint* sets the stage for more in-depth planning to address key organizational issues. As part of each annual *Blueprint* update, the Coast Guard considers the following resources as appropriate to gauge its progress and make improvements to its Acquisition Directorate.

DOD and Other Federal Agencies Best Practices

Best practices are the most efficient and effective way of accomplishing a task, based on repeatable procedures that have proven themselves over time for similar efforts. Because DOD and other Federal agencies have also been acquiring goods and services for many years, the Coast Guard looks to its government partners for lessons learned and best practices to adopt and implement in its acquisition organization, as appropriate.

Government Accountability Office (GAO) and DHS Office of the Inspector General (OIG) Findings and Recommendations

These organizations provide the public with an accurate, fair, and balanced picture of government today. The GAO is an independent investigative and audit agency. The DHS OIG conducts and supervises audits, investigations, and inspections relating to the Department's operations and programs, including those of the Coast Guard's Acquisition Directorate, to ensure these are carried out in the most effective, efficient, and economical manner possible. The GAO and OIG report on programs and policies that are working well and acknowledge progress and improvements. The Coast Guard reviews findings and recommendations from the GAO and OIG and incorporates those conclusions into our business practices, where appropriate.

Surveys, Analyses, and Assessments

The Coast Guard relies on many different surveys, analyses, and assessments to gauge its organizational health. For example, the Coast Guard uses the Federal Managers Financial Integrity Act (FMFIA) internal controls assessment as a means to measure the compliance, effectiveness and efficiency of its business operations and processes. Other examples include the annual DHS Acquisition Organization Self-Assessment, Internal Controls Gap Analysis, Workforce and Customer Satisfaction Surveys and a Lessons Learned Data base.

These sources are also mechanisms for measuring the success of the strategic plan. As *Blueprint* actions are implemented and completed, annual assessment scores, survey responses and gap analyses will improve, and GAO/IG feedback should progress. Over time, trend analysis will be conducted to determine how the Acquisition Directorate is meeting its objectives based on annual survey, analyses, and assessment results.

The Coast Guard updates the *Blueprint for Continuous Improvement* annually. The result is a robust and constantly evolving document that codifies a process of continuous functional improvement at every level of the organization over a rolling 2 year period.

After 2 years of the acquisition reform, the objective of the updated *Blueprint for Continuous Improvement* is to institutionalize organizational and business process changes to ensure the Acquisition Directorate continues to deliver the assets meeting the requirements of Coast Guard in the 21st century at the best value to the public.

As the Coast Guard maintains acquisition continuous improvement efforts, the gaps, lessons learned, audit findings, and assessment scores will improve, resulting in clear measures of success in the implementation of the *Blueprint*.

To date, the progress of the *Blueprint* action items is as follows:

2007 Original Action Items = 102
 2008 New Actions Added = 61
 2009 New Actions Added = 52
 Total Actions included in the action plan= 215

To date, 131 actions have been completed.

Question 11. The Coast Guard has cited the need for Airborne Use of Force on all helicopters at a cost of over \$90 million. In developing its requirement that all Coast Guard helicopters be armed or capable of being armed the Coast Guard stated that the requirement was based on the National Capital Region Air Defense (NCRAD) mission. However, the NCRAD mission is only seven helicopters as far as I am aware. How did the Coast Guard determine that all its helicopters fall within the scope of this requirement?

Answer. The Department of Homeland Security's (DHS) mission requires the Coast Guard to protect the Nation from dangerous people and goods, protect critical infrastructure, and strengthen emergency response and preparedness. Coast Guard aviation assets help achieve those goals by prosecuting missions such as Ports, Waterways, and Coastal Security (PWCS), Drug and Migrant interdiction by employing Aviation Special Missions (ASM) capabilities onboard its rotary wing aircraft. ASM currently contains six subsets of capability. Airborne Use of Force (AUF) is just one subset of ASM. Rotary Wing Air Intercept (RWAI) is another of the subsets and is the ASM function provided in the NCRAD mission. As part of the operational requirements for ASM and all its subsets of capability, HH-65C & HH-60J (HH designates a Search and Rescue Helicopter) aircraft received fundamental upgrades to communications, navigation, sensors, and associated hardware inherently required to perform (or be capable of performing) ASMs, commonly referred to as Kit "A" modifications. Kit "B" modifications include the weapons and mounts and are only being deployed to eight strategically located air stations.

The Kit "A" modifications resulted in a designation change to the MH-65C and the MH-60J/T (MH designates a Multi-Mission Helicopter). Additionally, the Kit "A" upgrades require less life-cycle cost if the aircraft line is standardized. Creation or sustainment of more than one type of aircraft for each helicopter model carries the associated requirements to establish production lines for each type—at significant cost. Standardized aircraft also leads to efficiencies in logistics, training, maintenance personnel and aircrew. The result of this standardization leads to an economy of scale that allows the Coast Guard to be highly responsive for all CG missions.

Question 12. Two of the Coast Guard's three polar icebreakers are more than 30 years old, and in 2008 the Coast Guard estimated that it could cost between \$800 million to \$925 million dollars per ship to procure new replacement ships. Given the projected budget constraints, how is the Coast Guard balancing an increased demand for resources in the arctic region against competing priorities?

Answer. In order to fully assess Coast Guard mission requirements in the Polar Regions, comprehensive mission analyses are required. A High-Latitude Arctic Mission Analysis Report is ongoing and expected to be delivered by the contractor in June 2010. However, in the interim, the Coast Guard has temporarily shifted assets to the Arctic for short periods in the summer to study cold weather impacts on equipment and assess the emerging changes in regional activity.

Question 13. Given that we only own three icebreakers, only two of which are currently operational, while Russia and Canada own approximately 20 and 13 respectively, how can we successfully compete with them in asserting and maintaining our national sovereignty in the Arctic?

Answer. Nearly all of the icebreakers reflected in these numbers are used for commercial/industrial purposes and none is operated by the uniformed military of these countries. Like the U.S., these countries do not depend on icebreakers to project national sovereignty, but may use icebreakers to support scientific research and for mapping activities in support of future extended continental shelf claims. The icebreakers HEALY and POLAR SEA, operated by Coast Guard, meet the U.S. needs for support of those missions.

Question 14. GAO and the National Academy of Public Administration have expressed concerns that the Coast Guard has not yet put in place performance measures to apply to the Coast Guard's Modernization program. What steps have been

taken to monitor the progress of the Modernization effort and adopt performance metrics to measure its success? Were these measures developed as a part of the Coast Guard's decision to reorganize?

Answer. Coast Guard modernization is the collective result of numerous organizational studies, initiatives, and decisions that date as far back as the 1980s. We are in the process of developing a comprehensive business case document that links modernization related organizational decisions, goals, and objectives to organizational performance indicators and metrics.

The National Academy of Public Administration (NAPA) validated the objectives of our current modernization. We are monitoring implementation of our modernization through a comprehensive plan of action and milestones. Government Accountability Office letter report GAO-09-530R validated our use of action-oriented goals with associated timelines and milestones.

The programmatic performance measures contained in the U.S. Coast Guard Posture Statement will not change as a result of modernization. These high level performance measures will serve as the quantitative foundation to ensure that modernization does not adversely impact the delivery of vital services to the American public. Ideally, increases in mission performance brought about by Coast Guard modernization will be reflected in these high level lagging indicators.

As previously stated, we are in the process of developing a comprehensive business case document that will identify organizational performance indicators and metrics related to the performance of internal activities and support outputs. When applicable, we will use metrics that currently reside in our Coast Guard Business Intelligence (CGBI) system, which currently contains over 1000 metrics, to monitor and evaluate organizational performance. Identified metrics that currently reside in CGBI will be implemented as soon as possible; the timeline associated with implementation of new metrics will vary depending on required data collection and reporting systems.

Question 15. The Coast Guard has a backlog exceeding \$1 billion in unmet repair needs related to its aging shore facilities, including its personnel housing, air stations, sector offices, small boat stations, and at the Coast Guard Academy. What efforts has the Coast Guard undertaken to ensure that all Coast Guard personnel work in a safe and modern facility?

Answer. The actual shore backlog is best represented by the list of projects where requirements are sufficiently defined through engineering studies to produce valid cost estimates. The estimated funding requirement for those projects is \$282 million.

Question 16. The Coast Guard and outside observers have noted problems with personnel shortages in areas such as marine safety and acquisitions. Congress has appropriated funds for additional personnel in recent years, and the Coast Guard has requested more funding for personnel in FY2010. What challenges, if any, has the Coast Guard encountered with filling new marine safety and/or acquisitions positions over the past few years, and how have these challenges been addressed?

Answer. The Coast Guard continues to work aggressively to complete hiring actions on the marine safety and contracting specialist fields. The Coast Guard faces several recruitment challenges when recruiting for highly qualified individuals for both marine safety and contracting specialist positions. To overcome some of these challenges, a variety of human resource tools are employed in the execution of hiring actions. The Coast Guard uses superior qualification appointments to match the existing pay or competing offers for new Federal employees in these occupations. Payment of permanent change of station (PCS) costs and credit for prior nonFederal experience for placement at a higher annual leave accrual rate are additional recruitment incentives. Recruitment bonuses of up to 25 percent of the employee's salary are used to entice new individuals to seek Federal employment in these occupations. For example, the Coast Guard approved a group recruitment bonus for highly sought after new graduates from maritime academies to fill entry/developmental marine safety positions. In addition to using superior qualification appointments, enhanced leave accrual, payment of PCS, and recruitment bonuses as incentives, the Department of Homeland Security (DHS) has approved special provisions including a direct hire authority for contracting specialist positions at select geographic locations and the reemployment of contracting annuitants hired without an offset to their pay or annuity. The Coast Guard developed a pilot referral bonus program which authorizes \$1000 to current employees for each candidate referred and hired as a contract specialist.

Question 17. The Coast Guard chartered a study by retired Vice Admiral Card to review the standing of the Coast Guard in the maritime industry. To what extent is the Coast Guard rotational policy one source of concern regarding standing with the maritime industry?

Answer. Vice Admiral Card's analysis of the Coast Guard's Marine Safety program concluded the maritime industry was concerned with the lack of experience and qualification level of marine inspectors for several reasons including rotation of Coast Guard personnel. In recent years, a tremendous expansion of maritime commerce and a growing and increasingly complex industry continued to expand demands on the Coast Guard to possess the workforce and expertise necessary to develop and enforce regulations and standards. Those demands significantly outpaced capacity. As a result of a comprehensive Marine Safety program review, the Coast Guard established a roadmap to improve the effectiveness, consistency, and responsiveness of the program to promote safe, secure, and environmentally sound marine transportation.

The Coast Guard Marine Safety Performance Plan released in 2008 established goals for the Marine Safety program. A key aspect of the plan includes the superior workforce performance initiative which addresses the competency, continuity, and capacity concerns voiced by the maritime industry. The Coast Guard has initiated steps to stabilize the marine inspection and marine safety workforce through the increased use of civilian inspectors. The FY09 appropriation provided for 310 new inspector and investigator billets which includes 108 civilians. The civilian and military mix provides balance between geographic stability afforded by civilians and the global perspective provided by military personnel. Civilians will form a solid baseline of workforce knowledge and experience in each port. In addition, they will provide an experience base from which to sustain the training of new personnel, whether military or civilian. Simultaneously, the Coast Guard is strengthening the career track for marine inspection and marine safety professionals within the military ranks that is complimented by the rotational assignment system. These efforts have already commenced and will take time to fully mature. The transfer of career specialists between ports is a productive and essential tool that spreads knowledge and fosters innovation, provided that it is well managed in the context of a focused career path that enhances professional development.

Question 18. Much of what the Coast Guard does in its various statutory missions involves highly specialized work. For example, facility and vessel oversight requires considerable depth of knowledge, training, and experience. Has the Coast Guard ever considered changing the rotation length for its military personnel, or perhaps increasing the mix of civilians, to improve continuity in areas such as these? Would hiring more civilian personnel increase Coast Guard local and safety inspection expertise without necessitating a change in the rotational policy?

Answer. The Coast Guard strives to maintain a diverse, well rounded workforce as well as preserve the skills of those who serve in positions that require highly specialized skills such as facility and vessel oversight. Additionally, individual program managers work closely with the Coast Guard Personnel Service Center (Officer and Enlisted branches) to address needed policy changes to best carry out all statutory missions to include facility and vessel oversight within the Marine Safety mission area.

The Coast Guard Marine Safety Improvement Plan is an example of how the Coast Guard adjusts plans in order to meet mission demands and performance goals. The 2006 comprehensive analysis on domestic vessel inspection and foreign vessel examination workload, concluded that a more experienced civilian inspection cadre will add stability and knowledge of complex maritime systems to Coast Guard Sectors and Sector management. Civilian personnel hired under the Marine Safety Performance plan will help preserve continuity using a baseline of experience through geographic stability. This initiative will not impact the rotational policy for military personnel, in fact the rotational assignment system is and continues to be knowledge enhancing for military personnel by exposing marine inspectors and marine safety specialists to a wider variety of maritime industry segments and diverse geographic areas.

Additionally, both military and civilian personnel staff recently established National Centers of Expertise. These centers are national assets designed to facilitate active dialogue and outreach with industry, develop specialty knowledge of specific elements of the marine industry and to serve as the basis for executing inspections of such vessels and broaden the experience of the workforce.

Question 19. In June 2008, the Explanatory Statement accompanying the Department of Homeland Security's Fiscal Year 2009 appropriations directed the Coast Guard to create a workforce plan using guidance set out in Senate Report 110-398. Please describe when and how this plan will be implemented. How will it impact the current Coast Guard processes for assessing resource needs and allocating personnel?

Answer. The Coast Guard allocates resources to achieve strategic priorities and best management risk within the maritime domain. The workforce action plan will help identify personnel requirements necessary to achieve these priorities and reduce risk. The plan will help support future budget requests and internal resource management.

Question 20. As part of the Coast Guard's overall Modernization effort, the Force Readiness Command (FORCECOM) was stood-up to its initial operating capability on June 1, 2009. What role, if any, will FORCECOM play in helping assess overall Coast Guard workforce needs and allocations?

Answer. In a modernized Coast Guard, FORCECOM (FC) will provide ready forces, Active, Reserve, Auxiliary, Civilian, and Contractor, to the supported commander. Specifically,

- The Performance and Doctrine Division (FC-5) will train forces to doctrinal guidance, tactics, techniques, and procedures.
- The Capability, Standardization, and Analysis Division (FC-7) will assess and document force readiness.
- The Force Management and Allocation Division (FC-3) will allocate assets with adaptive force packaging.

At Final Operating Capability (FOC), FC-3 will be the single source provider of ready forces, balancing mission workload for the optimal utilization of Coast Guard resources.

Based on operational commander and program manager input, the Deputy Commandant for Mission Support (DCMS) will be responsible for allocating the workforce (in quantity and mix of civilian and military). The Force Readiness Command (FC) will be the primary agent responsible for evaluating the performance requirements, gaps and providing the correct interventions.

In a modernized Coast Guard, DCMS will coordinate with the Deputy Commandant for Operations Policy (DCO) to determine training needs and requirements to support operational policy and the Operational Commander. Once these training needs and requirements have been established, DCO and DCMS will work concurrently with FORCECOM to meet these requirements through the development and implementation of training programs, workforce adjustments, and infrastructure needs.

Question 21. The Coast Guard has said that the catalyst for creating the new Deployable Operations Group (DOG) was the lessons learned from Hurricane Katrina. Yet most observers view the Coast Guard's response to Hurricane Katrina as laudatory. What specific problems or weaknesses in the management or effectiveness of specialized deployable forces does the DOG reorganization address? Were these problems or weaknesses, and the proposed solutions to these problems weaknesses, thoroughly analyzed before the reorganization? How will you measure the success of the deployable forces reorganization?

Answer. In the aftermath of Hurricane Katrina, the service took away a number of important lessons. Key lessons that led to the creation of the Deployable Operations Group (DOG):

- During Hurricane Katrina, emergency managers on the ground found it difficult to request deployable forces from the Coast Guard. The process for requesting forces was complicated by the fact that deployable units resided under various commands (area, district and sector) instead of under a single, unified command. Requesting forces to aid in disaster response to Katrina meant contacting multiple points of access rather than a single point of service.
- Once units deployed to the Gulf Coast, differences in tactics, techniques and procedures between the various units became apparent. Units of the same type were trained differently due to the multiple chains of command.
- Finally, emergency managers found that the forces deployed to Hurricane Katrina did not optimally match the nature of the disaster. While members of a unit came to the disaster as a homogeneous team, emergency managers needed teams comprised of more than one skill set. It was often not enough for a single capability to dominate response to the disaster. Rather, the necessary capabilities were often a blend of those offered by the NSF, MSSTs and other deployable units.

Responding to these observed issues, the Coast Guard formed the DOG Design and Plan Team (DPT) in 2006. The team thoroughly analyzed the lessons coming out of Hurricane Katrina, proposed the goals of a new group formed to organize deployable specialized forces (DSF) and recommended the proper organizational

structure to accomplish those goals. The DPT final report in the summer of 2006 was approved leading to the stand-up of the DOG in July 2007.

The DOG is an independent command and a single source from which tactical commanders request and receive deployable specialized forces. The DOG responsibilities ensure the deployable specialized forces are properly organized, equipped and trained, and then efficiently synchronized to deliver adaptive force packages to Coast Guard, DHS, DOD, EPA and interagency operational and tactical commanders to meet specific requirements. The DOG maximizes and sustains mission execution by enhancing interoperability and standardization among the Coast Guard's 27 Deployable Specialized Forces. The DOG's organization of deployable specialized forces under a single, unified command has already succeeded by establishing a single request for forces process, enhancing inherent unit capabilities, standardizing operations, creating adaptive force packages, and sharpening the Nation's tool kit for disaster and threat response.

Question 22. In its budget proposal for FY2009, the Coast Guard noted that it was not going to ask for additional funding to establish the DOG. In the past, the Coast Guard's "budget neutral" reorganizations later faced implementation challenges in staffing, funding or associated capital costs. How will this reorganization be different?

Answer. The Deployable Operations Group (DOG), both conceptually and in practice, is an organization that exists for the purpose of generating efficiencies in the management and deployment of Coast Guard forces. Embracing good stewardship and organizational governance, the DOG provides efficiencies for cohesive management and employment of the Deployable, Specialized Forces (DSFs) across the doctrine, organization, training, material, leadership, personnel, and facilities spectrum. By consolidating the DSFs under a single command, the DOG yields efficiencies in the areas of operational planning and support, operational safety, training support, and logistical support and advocacy. The DOG aggressively works within existing resources to source to strategy.

The DOG was officially created in July 2007. In the 2-years since standing up, the DOG has grown into a well-functioning organization while remaining budget neutral.

Question 23. The Coast Guard set a July 2007 deadline for establishing initial DOG operating capacity. Now that we are 2 years beyond that date, has the DOG been fully successful? If not, what additional efforts and resources are needed?

Answer. The Deployable Operations Group (DOG) was established in July 2007 following approval of the final report of the DOG Design and Plan Team (DPT). Charged with the primary responsibilities of force manager, force provider and force integrator, the DOG DPT laid out a four phase plan that would allow the DOG to transition from a phase one initial operating capability (IOC) to phase four where it would be performing force management and provider responsibilities across the Interagency. On July 20, 2007, the DOG attained IOC and the staff quickly coordinated the activities of 27 Deployable, Specialized Forces (DSF), and has made significant improvements in the allocation of forces, mission support, readiness, safety, sustainability, and force planning.

The DOG is preserving and strengthening its core competencies, while internally redirecting resources along prioritized lines to fulfill the DOG mission statement, maintain essential capabilities, and advanced the future vision for the DOG. To meet these core capabilities, as force manager DOG will continue to develop tactics, techniques and procedures (TTP), define and implement force standardization, conduct exercises with operational commanders and provide ready for operations assessment and oversight of the DSFs. As force provider DOG will continue to synchronize forces and deploy adaptive force packages, and optimize DSF schedules to ensure fully equipped and trained forces are deployed to meet operational commander requirements. As force integrator DOG will continue to coordinate activities and develop joint TTP and force standardization across the interagency.

Question 24. Under an agreement signed in July, 2008, by the Coast Guard, Navy, and Special Operations Command, Coast Guardsmen in the DOG are now training and will integrate with an operational Navy SEAL team for several years, after which they will return to the Coast Guard. What are the anticipated benefits for the Coast Guard of this cooperative arrangement?

Answer. Through participation in the Naval Special Warfare program, the Coast Guard will enhance existing partnerships with the Navy and United States Special Operations Command (SOCOM), as well as acquire advanced capabilities and proficiencies to help further its law enforcement, counter-terrorism, anti-terrorism, national defense, and homeland security programs. By allowing a Coast Guardsman to train to become a SEAL and operate for an extended time with the SEAL teams,

the Coast Guard gains the specialized skill sets and experience to further develop its own counter-terrorism programs. The Naval Special Warfare program provides dividends to the Coast Guard, the Navy, and SOCOM by improving interoperability and shared tactics, techniques and procedures.

Question 25. To carry out the security boardings of high interest vessels, some field units rely on the Maritime Safety and Security Teams (MSSTs) and their related assets. However, these teams and their assets may become unavailable to do this if they must be deployed to respond to a natural disaster or national security threat requiring them to conduct other, higher priority security activities. Under such circumstances, to what extent will these Coast Guard units be able to conduct security boardings? What is the Coast Guard's plan to ensure that those field units can carry out their required boardings in such instances, or otherwise mitigate the potential risks associated with not doing so?

Answer. The MSSTs primary mission is to provide waterborne and shore side antiterrorism force protection for strategic shipping, high interest vessels and critical infrastructure. MSSTs are mobile via land, sea, and air transportation to enhance security in our Nation's maritime domain. They are a response force capable of rapid, nationwide deployment in response to changing threat conditions and evolving Maritime Homeland Security missions. While MSSTs are located strategically at the Nation's key ports, their responsibility extends across the entire country and, potentially, around the world. Operational priorities of these finite assets are through organic risk management, force apportionment and prioritization processes as determined by the operational commander.

Deployable specialized forces are only one part of the Coast Guard's operational trident. In addition to deployable specialized forces such as MSSTs, the Coast Guard also employs maritime patrol forces and shore-based forces. These three force types comprise the Coast Guard's operational trident and provide the means to effectively meet maritime domain security requirements. This concept of layered defense enables the Coast Guard to access our entire portfolio of assets and capabilities in support of the operational commander and prioritize deployments using risk management practices and principles. Shore based forces routinely conduct security boardings and are supplemented by MSST forces. Should MSST forces be called to higher priority missions, shore based forces would continue to conduct security boardings. The number and frequency of boardings may be impacted depending on the length of MSST deployments.

Question 26. The Coast Guard, through its International Port Security Program, has completed several rounds of visits to foreign countries to make sure that they meet established port security standards. What standards does the Coast Guard use to make these assessments? How do these standards compare to those used in assessments of domestic U.S. ports?

Answer. The International Port Security (IPS) Program uses a country's implementation of the mandatory provisions of the International Ship and Port Facility Security (ISPS) Code as the primary international standard. While the ISPS Code is performance based and not prescriptive, the IPS Program has determined that there must be, at a minimum, verified measures in place to prevent unauthorized personnel and material from gaining access to a vessel from a facility in a port, and to ensure that cargo and ships stores at that facility are monitored and protected from unauthorized tampering.

These standards are similar to what is required in U.S. ports. The Maritime Transportation Security Act regulations for U.S. port facilities included and went beyond the ISPS Code. The level of detail, specificity and oversight is generally greater in U.S. ports. The ISPS Code is a two part document describing minimum requirements for security of ships and ports. Part A provides mandatory requirements for contracting governments and Part B provides recommended guidelines for implementation. In the U.S., the Coast Guard mandated most Part B provisions.

Question 27. Every 2 to 3 years the Coast Guard must inspect facilities in approximately 150 countries participating in the International Port Security Program. How does the Coast Guard determine which ports and facilities it should assess in each country?

Answer. The Coast Guard conducted a risk analysis of the countries from which vessels transit to the U.S. Based on this analysis, a representative port or series of ports are chosen. In general, more ports or facilities are visited in higher risk countries. As applicable, a combination of large, medium and small ports are selected to ensure a representative and cross sectional sample of ports with diverse operations and differing security requirements are visited. Priority is given to those ports or facilities shipping cargo to the United States. Included in the selection are

specific facilities, including private sector facilities and general cargo facilities not currently but with the capacity to engage in shipping to the United States.

Question 28. Does the Coast Guard have the necessary resources to carry out these inspections?

Answer. The Coast Guard does have the resources to carry out these assessments.

Question 29. My understanding is that most modern communications systems, such as cell phones, standard telecommunications equipment, and secure communications rely on GPS timing, and that a loss of GPS timing would significantly degrade, if not completely disable, these systems. How would the loss of these systems impact the Coast Guard's ability to respond in time of crisis—particularly in the case of a large-scale response like Hurricane Katrina?

Answer. The Coast Guard's primary communications capability relies greatly on protected and secure short and long range radio communications. Most of these systems do not require timing information from GPS to operate. Coast Guard facilities, including command centers, have radio capability but do utilize terrestrial and cellular phone systems and other commercial networks in their day to day operations. In the event these commercial systems fail due to a GPS outage, or are destroyed, the Coast Guard has staged deployable communications capabilities that can re-connect operational communication channels. During events where complete infrastructure is destroyed, such as during hurricane Katrina, the Coast Guard's deployable Mobile Command Center and Rescue 21 disaster recovery capability, along with its Cutters, boats, and planes may be quickly mobilized to respond.

Question 30. Economic realities dictate that most large commercial ships come into port with fewer than five people on the bridge, including the pilot. How safe an assumption is it that a crew of limited size like this could safely enter or leave port without GPS, especially in reduced visibility conditions?

Answer. Commercial ships operating in U.S. waters are sufficiently crewed, and commercial mariners should be sufficiently trained, to allow them to enter or leave any port in the United States without the aid of GPS in any condition of visibility in which they choose to operate. Although a reversion to more traditional and less frequently utilized methods of navigation would likely require some re-familiarization and might result in slower transits, ships' officers and pilots should be capable of low visibility navigation using radar and other shipboard tools that are not dependent on GPS. Additionally, the value of the assistance of local Pilots trained and qualified in each major port could be leveraged in the event of a GPS outage.

Question 31. It has been stated in the past by Coast Guard officers that, in the event of a loss of GPS, shutting down the port would ensure safety. Given the tremendous negative economic impact of shutting down a major port, why would we not provide a backup Position, Navigation, and Timing service such as eLORAN—especially if the cost of shutting down one port for several hours greatly exceeds the cost of eLORAN?

Answer. Shutting down a port or waterway is a drastic, infrequent measure taken in response to catastrophic events such as floods, hurricanes, earthquakes or major marine accidents. While shutting down the port would inarguably ensure safety, that action would be an overreaction to an event that is not generally considered catastrophic. In terms of port safety and security, loss of GPS would likely be considered more of an inconvenience than a catastrophe.

Question 32. If the Administration determines that a new terrestrial navigation system is necessary as a back-up to GPS, is eLORAN the most readily available and deployable choice?

Answer. If a determination is made for the necessity of a back-up to GPS, an Analysis of Alternatives would likely be performed to determine the optimal solution. It is important to note that eLORAN does not exist in the United States; if a decision is made to employ it as a terrestrial backup to GPS, implementation of eLORAN would require an investment estimated at \$425M and a minimum of 5 years to develop and deploy.

Question 33. Admiral Allen, as you indicated in your statements before the Subcommittee, the first National Security Cutter does not yet have a completed SCIF (Sensitive Compartmented Information Facility).

Please provide a detailed timeline of:

- when decisions were made to include a SCIF in the National Security Cutter;
- initiation and progress in the design and development of the SCIF for the NSC; and
- initiation and progress in the construction and other work to actually build the SCIF on board the NSC BERTHOLF.

Answer. The first formal decision point for shipboard Sensitive Compartmented Information Facility (SCIF) was June 11, 2003 when the Vice Commandant, acting as the Agency Acquisition Executive (AAE), approved adding additional space, weight, electrical and air conditioning considerations for SCIF in the design of the National Security Cutter (NSC). At this time, it was recognized the NSC would be delivered without the equipment installed in the SCIF.

On November 2, 2004 the Vice Commandant, acting as the AAE, recognized that insufficient funding was available for the complete design, equipment and construction of SCIF in NSC-1 and that SCIF equipment installation would not be part of NSC-1 at delivery. As such, a phased approach was deemed most prudent and the program was authorized to expend \$3 million for SCIF antennae and topside design.

In November 2006, the Vice Commandant, acting as the AAE, directed the appropriate Coast Guard staffs to seek and identify funding for SCIF and directed that SCIF capability (including equipment procurement and installation) be provided as funding allowed and within the Deepwater Acquisition Program Baseline.

The Coast Guard took a prudent, measured approach to incorporating SCIF aboard the NSC. Since this was a first for the Coast Guard (*i.e.*, an integrated SCIF with equipment aboard a cutter) and because the funding was being identified and sought as decisions were being made, the prudent, measured approach was to incorporate SCIF in phases, first approving design for space, weight, electrical and air conditioning; then topside antennae analysis; and finally the full capability which was equipment installation. Besides funding and acquisition baseline considerations, the Coast Guard also used this developmental time to address concept of operations and manning requirements.

The Engineering Change Proposal for the SCIF (full capability) was approved in October 2008.

The Coast Guard has contracted with U.S. Navy Space and Naval Warfare Systems Command (SPAWAR) to design and install the electronic systems which will comprise the SCIF and this effort is ongoing.

Since delivery, the following unclassified modifications have been made to NSC-1 to accommodate the SCIF equipment installation:

- Conversion (but not outfitting) of a Chief Petty Officer (CPO) Stateroom to the Transceiver Room.
- Re-labeling of an existing Officer's Stateroom to a CPO Stateroom.
- Re-arrangement of antennas and other miscellaneous items on top of the Pilot House to install new antenna foundations.
- Installation of the Aft Extremely High Frequency (EHF) Antenna barbette on top of the Hangar.
- Heating, Ventilation and Air Conditioning (HVAC) minor modifications in the SCIF, Message Processing Center (MPC), Pilot House, Mission Module and CPO Stateroom.
- Deletion of SCIF furniture outfitting.

The SCIF is scheduled to be completed by the end of Post Shakedown Availability and remains on schedule.

Question 34. Since preliminary acceptance of the National Security Cutter BERTHOLF, how much money has the Coast Guard spent on the SCIF for that ship? Who has been (and will be) doing this work, and under what contract arrangements?

Answer. Since preliminary acceptance in May 2008, the Coast Guard has obligated \$5.023 million related to the BERTHOLF SCIF.

The Coast Guard has developed an agreement with U.S. Navy Space and Naval Warfare Systems Command (SPAWAR) to design and install the electronic systems which will complete the SCIF capability.

Question 35. The Coast Guard has stated that much of the work to complete the SCIF will be done during Post Shakedown Availability. Was there ever a point when the Coast Guard planned to conduct and complete work on the SCIF prior to the PSA?

Answer. Once the decision was made to include the shipboard Sensitive Compartmented Information Facility (SCIF) as a requirement, the goal was first to incorporate that capability after the delivery of the National Security Cutter (NSC). This was first recognized in 2003. In 2006 the completion of the SCIF related work was approved as three phases with completion scheduled by the end of Post Shakedown Availability (PSA).

Question 36. Are we still on the original schedule for the SCIF, or were there ever plans to complete the SCIF earlier?

Answer. Once the decision was made to include the shipboard Sensitive Compartmented Information Facility (SCIF) as a requirement, the goal was to have that capability incorporated by the end of Post Shakedown Availability (PSA), which is the last planned acquisition event for a ship construction project.

Question 37. In your testimony before the subcommittee, you stated that the original design of the NSC did not include a SCIF, and that once a SCIF was added to the design it was added as a "space-in-wait reservation" within the ship. Since construction of the BERTHOLF began, has the current location of the SCIF always been (and was designed and built as) a space-in-waiting for the SCIF?

Answer. Yes, The preliminary design of the National Security Cutter (NSC) as proposed by Integrated Coast Guard Systems (ICGS) did not include a shipboard Sensitive Compartmented Information Facility (SCIF). The SCIF was incorporated into the detailed design as a dedicated space. Since that time, the designed location for the SCIF has not changed, however, the following changes to the NSC general arrangements have been made to BERTHOLF to accommodate equipment associated with the SCIF:

- Conversion of a Chief Petty Officer (CPO) Stateroom to the Transceiver Room.
- Re-labeling of an existing Officer's Stateroom to a CPO Stateroom.

Question 38. Was the current space for the SCIF at any point designated, designed, or built for any other uses or purposes?

Answer. Once the shipboard Sensitive Compartmented Information Facility (SCIF) was incorporated into the NSC design, the space identified for the SCIF was not designated for any other purpose, with the following exception to accommodate equipment associated with the SCIF:

- Conversion of a Chief Petty Officer (CPO) Stateroom to the Transceiver Room.
- Re-labeling of an existing Officer's Stateroom to a CPO Stateroom.

Question 39. You stated that the SCIF was not included in the original design of the National Security Cutter but was added after 9/11. The post-9/11 addition of the SCIF was by no means unique, as many design changes and additions were made to the original design of the NSC after 9/11. While virtually all of those other changes were fully implemented into construction of the BERTHOLF, why was it decided to only designate a space-in-wait for the SCIF and not build or complete the SCIF until post-delivery? Was this decision made by the Coast Guard or ICGS?

Answer. The first formal decision point for shipboard Sensitive Compartmented Information Facility (SCIF) was June 11, 2003 when the Vice Commandant, acting as the Agency Acquisition Executive (AAE), approved adding additional space, weight, electrical and air conditioning considerations for SCIF in the design of the National Security Cutter (NSC). At this time, it was recognized that NSC would be delivered without the equipment installed in the SCIF.

This decision was made for a number of reasons. First, funding was not identified. Second, specific manning and operation concepts were dependent upon decisions tied to overall dynamic intelligence requirements.

The decision to provide additional space, weight, electrical and air conditioning considerations for SCIF in the design of the NSC helped mitigate the risk associated with the future SCIF construction decision. The phased approach mitigated the risk because without these margins, it would have been very difficult and expensive to add a SCIF at a later date.

The electronic components of SCIF were initially undetermined and costs were unknown. The most appropriate equipment for NSC SCIF was only determined after considerable consultation and collaboration with U.S. Navy Space and Naval Warfare Systems Command (SPAWAR).

The decision to acquire SCIF capability in a phased approach and specifically to install SCIF equipment after delivery was a Coast Guard Agency Acquisition Executive (Vice Commandant) decision. This decision was made in 2003 more than 5 years before NSC-1 was delivered after careful consideration of numerous factors. It was a Coast Guard decision.

Question 40. Please provide an anticipated timeline and cost estimate for remaining work for completion of the BERTHOLF SCIF.

Answer. The Space and Naval Warfare Systems Center Atlantic provided the Coast Guard with an estimate of approximately \$3.1million to complete the design and installation of the lead National Security Cutter (NSC) shipboard Sensitive Compartmented Information Facility (SCIF) equipment. This estimate does not include the cost of Government Furnished Equipment (GFE).

The SCIF equipment is planned to be installed during BERTHOLF's Post-Shakedown Availability, which ends in February of 2010.

Question 41. In testing and certifying TEMPEST for the USCGC BERTHOLF, were any waivers issued? If so, how many?

Answer. There were no waivers granted.

Question 42. My understanding is that the Parent Craft of the FRC-B being acquired by the Coast Guard is the Damen 4708. The Coast Guard did visit and test the Damen 4207 series vessel operated in Jamaica. The Damen 4207, however, is 13 feet shorter and 90 tons (28 percent) lighter than the FRC-B's Parent Craft, the Damen 4708. Isn't it true that the Coast Guard has visited the Damen 4207, but has not visited, toured, ridden, or tested the Damen 4708?

Answer. The Coast Guard has visited and toured the Damen 4207 and not the Damen 4708.

Question 43. Why did the Coast Guard feel that it was not necessary to visit or test the FRC-B Parent Craft Damen 4708, which is in operation as an environmental patrol boat in South Africa?

Answer. The Coast Guard has not precluded a visit to the Damen 4708 in South Africa and is in the process of assessing such a visit.

Question 44. Will the Coast Guard exercise options to procure additional FRC-B vessels prior to the critical design review?

Answer. The Coast Guard will conduct the critical design review before any options are awarded.

Question 45. Will the American Bureau of Shipping review of the FRC-B be included in the critical design review process?

Answer. Yes. The FRC-B contract requires the Critical Design Review to include a favorable contract design evaluation from ABS indicating no technical issues stand in the way of compliance with the ABS High Speed Naval Craft Guide.

Question 46. Where did the FRC-B requirements come from? It was stated by the GAO that the USCG, among other concessions, "lowered the minimum requirement for sprint speed from 30 knots for the FRC-A to 28 for the FRC-B . . . [to] ensure more competition on the open market." This does not seem like a fleet-driven requirement or acquisition.

Answer. The Coast Guard's Operational, Acquisition and Engineering Directorates developed the FRC-B's (Sentinel Patrol Boat) requirements including a flank speed of 28-knots. These requirements were approved by the Coast Guard's Agency Acquisition Executive (AAE) on November 3, 2006. The 28-knot flank speed requirement was based on mission subject matter expertise and current cutter boat capabilities. This flank speed requirement balanced cost, the state of the market and most importantly the ability to deliver a mission capable patrol boat.

Question 47. Since the FRC-B is replacing the 110' ISLAND-class and the two ships have different lengths and drafts, are there logistical concerns or cost figures associated with deploying the larger FRC-B to the same docks and harbors?

Answer. A homeporting plan for all FRCs has not been finalized. Potential homeports are being evaluated based on the FRC design and shore facility requirements. In all cases, cost, maintenance, support, facilities, environmental and other factors will be evaluated prior to finalizing selections.

Based on preliminary decisions to homeport the first six FRCs in Miami, FL and the second six FRCs in Key West, FL, cost estimates to prepare these homeports are approximately \$2M per cutter which includes pier modifications, dredging, and shore-side facilities.

Question 48. How much more fuel is the Coast Guard going to require to operate 34-58 FRC-B vessels while also increasing patrol hours to meet annual patrol requirements? What will this cost for the full fleet?

Answer. The Coast Guard will require between 1.8 million and 6.3 million gallons of additional fuel to operate 34-58 FRC-B vessels. The additional cost for this fuel is between \$5.7 million and \$16.7 million. The total estimated fuel cost for this fleet is between \$15.5 million and \$26.5 million. As a result of energy market volatility and actual FRC-B burn rate figures, fuel estimates are subject to change.

Question 49. How many FRC-B vessels would be required to completely eliminate the Coast Guard's patrol hour gap?

Answer. The 2004 Integrated Deepwater System (IDS) mission needs statement (MNS) target patrol boat hours are 174,000. Based on this proxy measure for mission performance, the FRC acquisition plan currently calls for 58 hulls. Once assets performance is validated in the field through operational testing and evaluation (OT&E), the Coast Guard will reassess the total FRC need.

Question 50. Please explain what work the Coast Guard expects to undertake and complete on the Offshore Patrol Cutter during Fiscal Year 2010. Also, please provide

a breakdown of how the Coast Guard's OPC budget request, if enacted, will be spent to conduct these activities.

Answer. The following plan for the Offshore Patrol Cutter contains the activities the Coast Guard expects to undertake in Fiscal Year 2010 along with a breakdown of how the \$9.8 million (M) request would be executed.

Description	Amount
Life Cycle Cost Estimating Support	\$400,000
Program Management • Program Management Support • Travel • Expenses • Technical Support	\$3,051,000
Planning & Studies • Engineering • Trade • Home Port • Logistics Maintenance • Human Systems Integration • Launch and Recovery System • Operational Planning • Feasibility • Environmental Management and Training	\$4,589,000
Request for Proposal (RFP) Preparation and Contracting	\$1,250,000
Proposal Evaluation	\$510,000
<i>Total</i>	<i>9,800,000</i>

Question 51. Please provide a detailed description of all instances over the last 2 years when the Coast Guard has deviated (even partially) from its Major Systems Acquisition Manual (MSAM). In these descriptions, please include who made the ultimate decision to waive or deviate from the MSAM, the date that decision was made, and the rationale for why the waiver or deviation was deemed necessary.

Answer. The following list provides the details of when the Coast Guard deviated from its Major Systems Acquisition Manual (MSAM) over the last 2 years.

Fast Response Cutter (FRC) Design and Production Contract Award: The project deviated from the MSAM by commencing FRC design, development, and production of lead ship (*i.e.*, awarding FRC contract Sep 2008) without an Operational Requirements Document.

Decision: Vice Commandant.

Date: November 3, 2006 Decision Memo.

Rationale: The Vice Commandant, as the Agency Acquisition Executive (AAE), authorized this waiver by approving the "parent craft" acquisition strategy to use a proven/in-service patrol boat design to satisfy the previously approved Top-Level Requirements. The primary purpose of this strategy was an expeditious acquisition of patrol boat capability to ameliorate the existing patrol boat operating hour shortfall.

C130H SELEX Radar Production Contract Award: The project deviated from the MSAM by proceeding with production of the SELEX Radar (*i.e.*, awarding the SELEX Radar contract September 2008) without an Acquisition Decision Event (ADE)—3 milestone approval.

Decision: Director of Acquisition (with notification to the Vice Commandant).

Date: March 13, 2008.

Rationale: The Director of Acquisition, with Technical Authority and Sponsor endorsement, authorized the contracting officer to award the SELEX Radar contract to fill a critical and immediate operational need, as the existing APS-137 radars were obsolete, degrading rapidly (Mean Time Between Failure (MTBF) was down to 80 hrs) and experiencing severe part shortages resulting from series obsolescence.

Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance (C4ISR) Increment 2 Contract Award: The project deviated from the MSAM by continuing C4ISR design and development (*i.e.*, awarding the Increment 2 contract in February 2009) without an Operational Requirements Document.

Decision: Project Manager executed the contract based on approved acquisition and expenditure plans under an acquisition program baseline (APB) not yet aligned with MSAM.

Date: The Acquisition Plan was reviewed by DHS and approved by the Coast Guard Head of Contracting Activity (HCA) on January 29, 2009. The contract was awarded February 2009.

Rationale: Increment 1 C4ISR capability was previously fielded under the Deep-water Integrated Coast Guard Systems (ICGS) contract. Increment 2 was awarded to ICGS to migrate the Increment 1 proprietary software to government rights so that the Coast Guard could position itself to transition the Systems Integrator function from ICGS to the Coast Guard. The Coast Guard intends to achieve full MSAM compliance before awarding any additional task orders for Increment 2 and before awarding any contract for Increment 3 C4ISR capability.

FRC Early Operational Assessment (EOA): The project deviated from the MSAM by conducting an Early Operational Assessment (EOA) prior to approval of the Test and Evaluation Master Plan (TEMP).

Decision: Director of Acquisition.

Date: April 9, 2009.

Rationale: Waiver was granted to allow the FRC project to conduct an EOA without an approved Test and Evaluation Master Plan (TEMP) recognizing the draft TEMP and EOA test plan were developed in sufficient detail to move forward, given the understanding the TEMP would be approved before starting Initial Operational Test and Evaluation.

IDS Small Boats Capability Development Plan (CDP): The project deviated from MSAM by not developing CDP.

Decision: Chief, Acquisition Support Office (CG-924).

Date: July 20, 2009.

Rationale: An MSAM waiver was granted based on existing project progress and the planned schedule to conduct an Acquisition Decision Event-2 (ADE-2) in the second quarter for Fiscal Year 2010. The project is positioned to enter the Obtain phase having completed the majority of the Analyze/Select phase events/activities that would have been in the CDP.

IDS Small Boats Alternatives Analysis (AA): The project deviated from MSAM by not conducting an Alternatives Analysis.

Decision: Chief, Acquisition Support Office (CG-924).

Date: July 28, 2009.

Rationale: An MSAM waiver was granted recognizing the preferred alternatives (7 and 11 meter cutter boats) had already been determined based on National Security Cutter (NSC) delivery and physical constraints. In addition, the Life Cycle Cost Estimate was under development for the preferred alternatives.

Question 52. Please provide an update on the current status of the Coast Guard and Department of Justice lawsuit against Integrated Coast Guard Systems (ICGS) to recoup costs from the failed 110' cutter conversion.

Answer. The Coast Guard continues to provide full support of the on-going joint DHS-IG/DOJ investigation.

Question 53. As you know, in 2007, I held a hearing on the tragic deaths of two Coast Guard divers serving onboard the HEALY. This hearing exposed major flaws in the Coast Guard's dive program. What steps has the Coast Guard taken to reform and revamp the Coast Guard's dive program? How will these measures help ensure that such an accident never happens again in the future?

Answer. Since the Coast Guard Cutter HEALY diving mishap in August of 2006 the Coast Guard Dive Program has undergone numerous changes. A summary of major changes include:

- Five new positions have been added to dive program management increasing program oversight.
- The Coast Guard Diving Manual has been completely re-written providing increased clarity of policy, guidelines for mandatory use of Operational Risk Management (ORM) practices for planning operations, and a comprehensive guide for required ice/cold water diving practices.
- Diving familiarization modules are provided to prospective commanding officers of units with divers.
- The minimum training level for divers has been elevated to second class diver, increasing training time by 3 months.
- Diving units in the continental U.S. have been consolidated into two dive lockers with full time divers vice collateral duty divers.
- A specific cold water/ice diving training course has been tested and implemented as a requirement for all divers deploying aboard icebreakers.
- Annual dive unit inspections include graded operational dives to confirm the readiness of dive teams.

The above changes provide a comprehensive improvement in safety, policy, training, oversight and awareness in the Coast Guard Dive Program that should mitigate

the risk of a repeat incident. Coast Guard divers have an increased level of training, oversight and support that was not present before the HEALY mishap.

Question 54. What is your assessment of TWIC implementation so far? What are some of the problems the Coast Guard has encountered in implementing TWIC, and how has the Coast Guard worked to address those difficulties?

Answer. As of August 6th, 2009, the Department of Homeland Security (DHS) has issued over 1.3 million Transportation Worker Identification Credentials (TWIC). The TWIC program furthers DHS' multi-layered approach to safeguarding the Nation's ports and critical maritime infrastructure by ensuring only individuals with a satisfactorily completed a background check have unescorted access to secure areas. Working closely with port officials and the maritime industry, the Coast Guard and the Transportation Security Administration (TSA) have approached TWIC implementation with a steadfast commitment to protecting the maritime transportation system while facilitating commerce. Since implementation, there have been no major disruptions to commerce or port operations, and the Coast Guard has found that facilities and credentialed personnel are largely in compliance with TWIC requirements. Maritime industry and Coast Guard reporting at the outset of TWIC compliance indicated that 85–90 percent of individuals requiring unescorted access to secure areas were in possession of a TWIC. The Coast Guard continues to work closely with ports and facilities to ensure individuals who require access to secure access areas meet escort requirements.

The Security and Accountability for Every (SAFE) Port Act of 2006 requires DHS to conduct a card reader pilot program to test the business processes, technology, and operational impacts required to deploy transportation security card readers and to issue a final rule within 2 years of the commencement of the pilot program. The statute further requires the final TWIC card reader rule be consistent with the findings of the pilot program. TSA, utilizing technical assistance and grant administration assistance from the DHS Science and Technology Directorate (S&T) and the Federal Emergency Management Agency (FEMA), began the TWIC reader pilot program process in late 2007, and commenced testing card readers in August 2008.

The Coast Guard, with assistance from TSA, is in the process of developing a rule to propose the use of biometric readers aboard regulated vessels and facilities. An Advanced Notice of Proposed Rulemaking (ANPRM) was published in the Federal Register on March 27, 2009. The comments are being analyzed, and along with pilot data, will help to inform the Notice of Proposed Rulemaking (NPRM).

TWIC implementation is a complex process. In the past several years, DHS personnel have laid the groundwork for TWIC implementation and compliance as one element to improve access control and identification standards within the existing Maritime Transportation Security Act (MTSA) framework. Although more work is ahead, the efforts to date have made a significant contribution to the security of the Nation's ports. We have accomplished important milestones, strengthened working relationships with public and industry stakeholders, and held an unwavering commitment to protecting the maritime transportation system while facilitating commerce.

Question 55. When will the Coast Guard's Polar High Latitude Study be completed?

Answer. The contractor preparing the Coast Guard's High Latitude Study is anticipated to deliver their final report in June 2010.

Question 56. On January 12 of this year, the previous Administration issued a new U.S. Arctic policy, resulting from multi-year policy review in which the Coast Guard participated. What is the status of this new Arctic policy under the Obama Administration?

Answer. The current Administration reviewed National Security Presidential Directive–66/Homeland Security Presidential Directive –25 (NSPD–66/HSPD–25) and did not seek to make any changes.

Question 57. What are the implications for the U.S. Coast Guard?

Answer. The Directive presents comprehensive national policies which recognize the changing environmental, economic, and geo-political conditions in the Arctic and re-affirms the United States' broad and fundamental interests in the region. NSPD–66/HSPD–25 offers a broad national Arctic region policy that will inform the Coast Guard's analysis of its current and future mission requirements in this operating area in support of our national interests.

Question 58. What policy reviews are currently underway for examining U.S. presence in the Arctic, and Coast Guard Arctic capabilities such as the strength of our polar icebreaker fleet?

Answer. National Security Presidential Directive–66 (NSPD–66) / Homeland Security Presidential Directive–25 (HSPD–25) is the governing U.S. national policy for

the Arctic Region. This document (published in January 2009) supersedes Presidential Decision Directive-26 (PDD-26 of 1994) with respect to Arctic policy but not Antarctic policy; PDD-26 remains in effect for Antarctic policy only. The Coast Guard's presence in the Arctic and requirements for mission execution in the region are governed by U.S. national policy, statutes, and implementing regulations. In addition, the Obama Administration has created an Interagency Ocean Policy Task Force to, among other things, develop a national policy for the ocean, our coasts, and the Great Lakes, which will be applicable to the Arctic. The efforts of this Task Force are not yet complete.

Operational resource requirements will be determined by a variety of both internal and external studies and assessments. The Coast Guard contracted a study of current and future Arctic and Antarctic influences and drivers and their relation to Coast Guard missions in the high latitude Polar Regions. The study will provide the Coast Guard's perspective of current and projected polar mission requirements and the gaps in capabilities needed to execute its missions in these critical regions. The expected delivery of the final report from the contractor is June 2010.

Question 59. How many members of the U.S. Coast Guard have been discharged under the "Don't Ask, Don't Tell" policy since its inception? Please provide a breakdown by year.

Answer. Over the past 5 years the Coast Guard has processed 81 discharges related to this policy. The following breakdown is provided:

FY 2004—16 total.

FY 2005—15 total.

FY 2006—11 total.

FY 2007—18 total.

FY 2008—21 total.

Question 60. Press accounts have claimed that 34 percent of Coast Guard discharges under "Don't Ask, Don't Tell" are women, even though women only make up 7 percent of the Coast Guard. Is this true? If so, please explain the disproportionate nature of these discharges.

Answer. Of the 81 discharges associated with this policy over from 2004–2008, 28 (34.5 percent) were female. Women comprise 12.5 percent of the Coast Guard workforce. Each discharge has an independent set of facts and circumstances.

Question 61. Is the Coast Guard currently participating in any discussions or reviews to reexamine the "Don't Ask, Don't Tell" policy?

Answer. The Coast Guard is not actively participating in discussions or reviews of the "Don't Ask, Don't Tell" policy.

